

Commonwealth of Massachusetts
Executive Office of Health and Human Services



Purchase of Service (POS) Integrity Unit

Provider Qualification and Audit Resolution

Policies and Procedures Reference Guide

March 2010

Executive Office of Health and Human Services
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Executive Office of Health and Human Services

Provider Qualification Agency Contacts

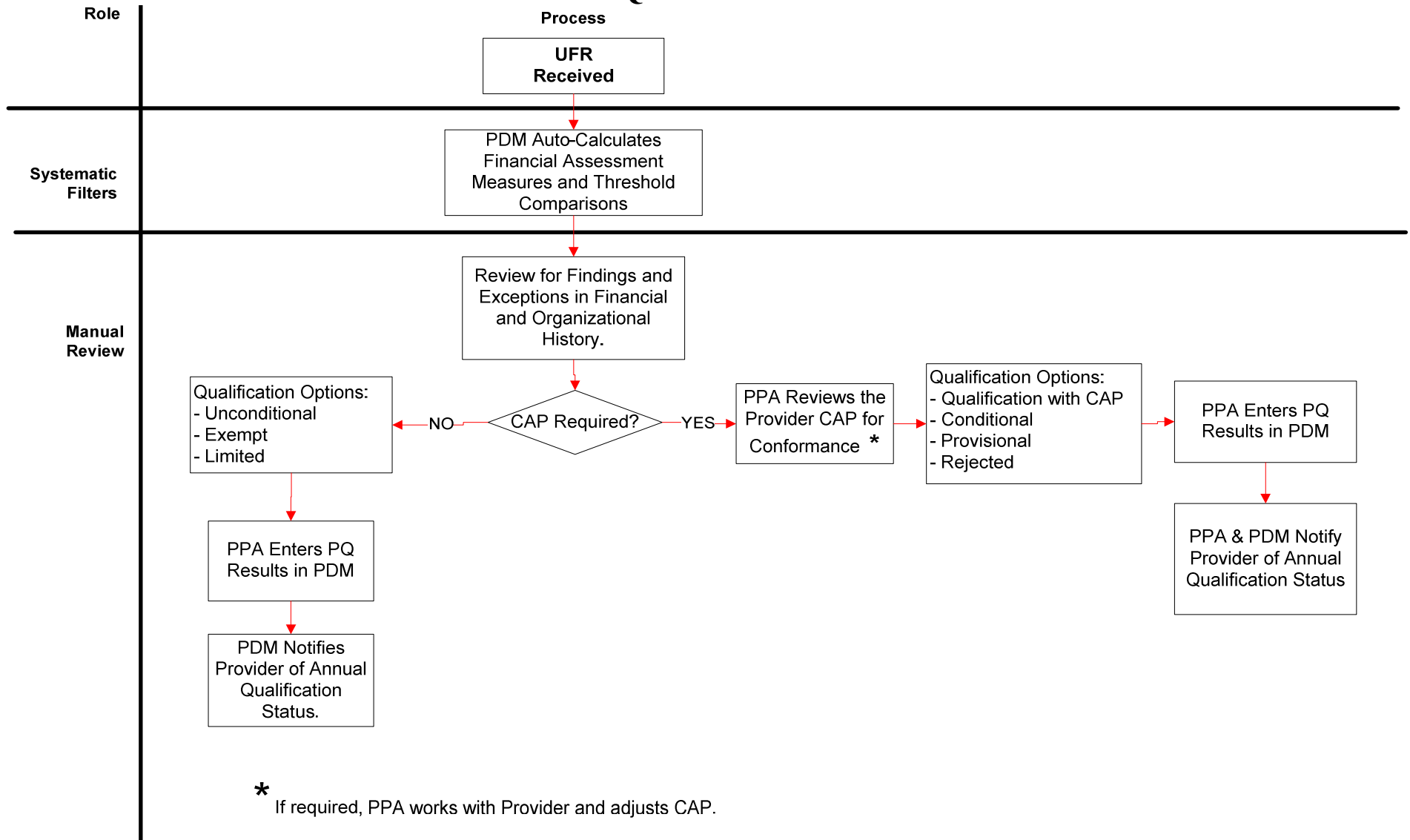
March 2010

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|---------------|--|-----------------------|---|
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| DPH | William Stallworth Department of Public Health Purchase of Service, 8 th Floor 250 Washington Street Boston, MA 02108 | (617)-624-5803 | <u>Bill.Stallworth@state.ma.us</u> |
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|---------------|--|--|---|
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Purchase of Service Integrity Unit Provider Qualification Workflow



Executive Office of Health and Human Services ***Purchase of Service Integrity Unit***

Provider Qualification

Introduction

Each year all state agencies within the Executive Office of Health and Human Services (EOHHS) are responsible for qualifying those provider organizations with whom they contract for human and social services. Often, provider organizations render services to multiple EOHHS state agencies; however, the organization is qualified by only one agency. Normally, the State agency within the EOHHS Secretariat that provides the most Purchase of Service (POS) funding to a state provider during a fiscal year is considered the Principal Purchasing Agency (PPA). As the PPA, this state agency is required to qualify their providers annually.

The Provider Qualification review process is performed for the following reasons:

- To minimize financial and administrative risk to the Commonwealth and the people served through the POS system.
- To promote familiarization and enforce compliance with applicable state and federal regulations.
- To maintain current, accurate information on Purchase of Service organizations, including contact names, addresses, and other information critical to the effective and efficient management of the POS system.

These policies and procedures will be used as a reference guide when completing a provider's annual qualification.

Overview of the Uniform Financial Statements and Auditor's Report (UFR)

The UFR must be reviewed as part of the annual provider qualification process.

To access the Operational Service Division (OSD) E-Filing web site, go to <https://ufr.osd.state.ma.us/home.asp> which navigates the user to the Uniform Financial Statements & Auditor's Report Subscription Service for an Advanced UFR Search.

From this website, the UFR template can be saved to your computer for printing purposes.

The Financial Statements, Auditor's Opinion Letters, and the Notes to the Financial Statements may be printed directly from the OSD E-File if the documents are uploaded as PDF files. If not the documents will need to be saved to the user's PC and print copies from your PC.

A login identification code and password must be obtained from OSD in order to perform an advanced UFR search.

Contact Terry McCarthy, the Director of the OSD Audit Bureau, at (617)-720-3373 or e-mail him at Terrence.McCarthy@OSD.state.ma.us for this information.

Note: An advanced UFR search is not required to complete a provider's annual qualification.

When completing an organization's qualification, the Principal Purchasing Agency (PPA) Provider Qualification Officer (PQO) will use good business judgment and perform all related tasks with due diligence. The PQO will review the following sections within the UFR when completing an annual provider qualification:

1. Cover page for general administrative information, list of all provider programs, PPA, A-133 status, etc.
2. Independent Auditor's Report (Auditor's Opinion on the Financial Statements)
3. Report on Compliance and Internal Control over Financial Reporting (findings)
4. Report on Compliance and Internal Control over Major Programs, A-133 (findings)

Important: For items 3 and 4, if applicable, prior year findings are followed up by the CPA Firm and the status reported in the current audit.

5. If an A-133 Audit is completed and there are findings, a Schedule of Findings and Questioned Costs must be reviewed and appended to the CAP as supplemental information, (the Schedule of Findings and Questioned Costs is not required for a non A-133 Audit).
6. Notes to Financial Statements; (Going Concern Opinion, Contract Over-billings resulting in amounts due to the Commonwealth, Related Party Transactions, Capitalization Threshold, and Pending Litigation/Lawsuits, etc.)
7. Management Letter reviewed for possible deficiencies or other concerns, such as a provider that has multiple programs but does not have a written cost allocation plan
8. Surplus Revenue Retention 5% & 20%, Automatic Calculations are viewed to the right side of Schedule A of the UFR and in the Notes to the Financial Statements.

If an organization is involved in multi-entity provider arrangements including but not limited to mergers, affiliations, and management agreements, please remember that qualification reviews are conducted on a consolidated basis and requires that the organization submit all information for all commonly controlled, affiliated or related entities including any legal entities that do not directly hold contracts with EOHHS agencies and entities that do not have direct financial transactions with the contracting entities. Where the UFR does not fully cover all involved parties (e.g., where not all financial information is reported on a consolidated basis, as may be the case with mixed non-profit/for-profit enterprises, or for some UFR exemption statuses) submission of supplemental financial information and other disclosures for all off-UFR entities may be required for Provider qualification and risk management purposes in accordance with 808 CMR 1.04(3).

In addition to the above steps, the Financial Assessment Measures (Financial Ratios) are automatically calculated by the Provider Data Management (PDM) service based on the Provider's UFR submission to the OSD. The three Primary Ratios: Current Ratio, Days Working Capital, and Operating Margin will be reviewed by the PQO to determine if the provider meets the EOHHS established thresholds.

After completing the above aspects of the provider qualification process, the PQO should enter the results of the review in PDM. *For details on how to access PDM and update Provider Qualification information, please refer to the [POS Provider Data Management Agency User Manual](#).*

For those providers that require a Corrective Action Plan (CAP) resulting from UFR Internal Control or Compliance Findings, or a CAP resulting from Financial Ratio Issues, a Management Letter, or other concerns, please refer to the Provider Qualification Procedures on pages 8 – 12 for additional details. Those procedures will help the PQO verify that the provider filed a properly completed CAP with their UFR submission to OSD and the additional procedures required when completing a CAP.

Executive Office of Health and Human Services *Purchase of Service Integrity Unit*

Provider Qualification Procedures

During the annual Provider Qualification Process, the Principal Purchasing Agency (PPA) Provider Qualification Officer (PQO) will complete an organization's Annual Qualification to contract with EOHHS agencies. The following procedures apply:

1. The PPA Provider Qualification Officer (PQO) accesses the Uniform Financial Statements and Independent Auditor's Report (UFR) from the Operational Services Division (OSD) of the Executive Office for Administration and Finance (EOAF) e-Filing System. The UFR includes the Provider's Financial Statements, Auditor's Opinion Letters, Notes to the Financial Statements, and if applicable, a Management Letter. In order to access the OSD UFR e-Filing system, one must visit the following website at <https://ufr.osd.state.ma.us/home.asp>. From this website, the provider's UFR can be reviewed, and if necessary, saved to your personal drive for printing purposes. The Auditor's Opinion Letters and the Notes to the Financial Statements, etc. can be printed directly from the OSD e-Filing website. A Login Identification Code and Password must be obtained from the OSD in order to perform an Advanced UFR Search. An Advanced UFR Search is not required to complete a Provider's Annual Qualification. *The provider is responsible for completing a Corrective Action Plan (CAP) for any material non-compliance findings, and any significant deficiencies or material internal control findings with their annual UFR submission to OSD.* For additional information regarding which audit findings require resolution, please refer to the [OSD UFR Auditor's Compliance Supplement, Audit Resolution Policy for Human and Social Services](#).
2. If no findings are reported in the UFR, the financial assessment measures are satisfactory, and no other deficiencies were noted during the review, the PPA will assign the provider an Unconditional Qualification Status. *During the qualification process, no letter will be forwarded by the PPA to the provider for the following qualification statuses: Unconditional, Limited, and Exempt. Refer to the Section on [Assigning an Annual Qualification Status](#) for a description of each status.* The providers assigned these statuses for the next fiscal year's contracting purposes will receive an electronic Provider Qualification Notice through the PDM service. These statuses will be communicated to the EOHHS Purchase of Service Integrity Unit when the PPA updates the PDM service and a monthly Master Provider Qualification Status Report (MPQSR) is generated.

Corrective Action Plans Resulting from UFR Internal Control or Compliance Findings

The following procedures are performed by the PPA Provider Qualification Officer (PQO) when verifying that the provider filed a properly completed Corrective Action Plan (CAP), if applicable, with their UFR submission to the Operational Services Division (OSD):

1. The PQO reviews the following Independent Auditor's reports:
 - Independent Auditor's Report (Auditor's Opinion on the Financial Statements);
 - Report on Compliance and Internal Control Over Financial Reporting (Findings); and the

- Report on Compliance and Internal Controls Over Major Programs, A-133 (Findings), if applicable.

If any findings are noted from the above Auditor's Reports, all deficiencies should be listed in the CAP by the finding number identified by the Independent Auditor in the Schedule of Findings and Questioned Costs, Report on Compliance and Internal Control Over Financial Reporting, or in some cases the organization's Management Letter. A Schedule of Findings and Questioned Costs is required for audits performed according to OMB Circular A-133 and should be reviewed, printed, and compared to the provider's CAP for conformance. This Schedule should become an attachment to the final CAP for additional information. Any internal control or compliance findings should be reported by the provider on a CAP Form and included in their annual UFR submission to OSD.

2. The PPA will ensure that the provider reports all the findings in the CAP. If the PQO notes that the Provider did not include all the internal control and compliance findings in their UFR submission to OSD, or the PQO disagrees with the Provider's proposed corrective measures, the PQO will prepare a Preliminary CAP Letter identifying the provider's deficiencies and will request that the organization revise, sign, and resubmit their CAP to the PPA within 45 days. In addition, *the PPA will ensure that the provider completes the administrative section of the CAP Form and review the information for accuracy.*
3. Upon receiving the final signed documents from the provider, the PQO forwards the agreement(s) to the Department's authorized representative for review and signature.
4. The PPA authorized representative then returns the signed CAP to the PQO who then prepares the final Qualification with a CAP Letter, attachment E-1, and e-mails a copy of the approved documents to the provider. The original CAP and respective letter are maintained in the Provider Qualification Officer's files for future reference.
5. The Provider Qualification Officer accesses the PDM System periodically during the qualification process to update the provider files and to ensure that all relevant information regarding the provider has been updated. *It is important for the PQO to keep the providers PDM file current so that a monthly Master Provider Qualification Status Report (MPQSR) and other Summary Reports can be produced by the 15th of each month. For details on how to access PDM and update Provider Qualification information, please refer to the [POS Provider Data Management Agency User Manual](#).*
6. If a provider receives a CAP, based on material non-compliance findings, and any significant deficiencies or material internal control findings, the PQO must save the CAP electronically and then upload the Form, in PDF format, to the Provider's PDM file for informational purposes. The PQO should also e-mail a copy of the final CAP to the EOHHS POS Integrity Unit Manager and the Director of the OSD Audit Bureau for Secretariat and OSD review and approval.

EOHHS – Paul.Lewandowski@Massmail.state.ma.us

OSD – Terrence.McCarthy@OSD.state.ma.us

Corrective Action Plans Resulting from Financial Ratio Issues, Management Letters, or Other Concerns

The following procedures are performed by the PQO to determine whether or not a CAP is required for non-conformance with EOHHS established Financial Assessment Measure thresholds or other deficiencies reported in a Management Letter or Other Concerns reported in the Notes to the Financial Statements.

1. The PQO reviews the Notes to the Financial Statements for any significant deficiencies. Special attention should be noted for a Going Concern Opinion, related party transactions, amounts due to the Commonwealth resulting from over-billings, and the potential excess 5% surplus revenues resulting from unit rate contracts. Also, if there are any contingent liabilities that could affect the financial strength of the organization, it should be noted in the CAP. The related party transactions and contingent liabilities are reviewed for compliance and risk assessment purposes.
2. The Financial Assessment Measures are automatically calculated from the Provider's UFR submission to OSD and are reported on the PDM Service. The PQO can access the Provider Data Management (PDM) service at <https://gateway.hhs.state.ma.us/portal/dt> to review the respective providers Financial Assessment Measures. The PQO will need their Virtual Gateway Username and Password to access this website. The three Primary Ratios: Current Ratio, Days Working Capital, and Operating Margin will be reviewed to determine if a provider will require a CAP for the fiscal year. The ratios will be compared to the EOHHS established thresholds for provider conformance, see step 3. Six secondary ratios are also provided in PDM and should be reviewed for those providers that have border-line thresholds.
3. The Primary ratios and their respective acceptable thresholds follow:
Current Ratio: ≥ 1.0
Days Working Capital: ≥ 10 Days
Operating Margin: $\geq (5) \%$

If after reviewing the three primary Financial Assessment Measures a provider is found to be in non-conformance with the EOHHS established financial assessment thresholds, a CAP may be required by the PPA. In these instances, *the PPA Provider Qualification Officer will be responsible for completing the following sections of the CAP Form; the Identified Issues, Action Deemed Successful When, and the Means of Evaluation. See attachment A, for a copy of the CAP Form.*

4. When considering the need for a CAP, if the financial ratios do not fall within the acceptable thresholds, the PQO should take into consideration the financial history of the provider and the secondary ratios. The PPA should also review the other matters noted in the Management letter, if applicable, for the seriousness of the issues. Independent Auditors' are not required to include a Schedule of Findings and Questioned Costs in non A-133 Audits and in some cases may report a finding(s) in a Management Letter. In that situation, the finding(s) would be reported according to the procedures outlined in the preceding section, CAPs Resulting from Internal Control or Compliance Findings. Some issues, not noted as

findings by the CPA Firm, may be addressed in the CAP. *Please note that any provider that has two or more programs should have a written cost allocation plan.*

5. If required, the Provider is responsible for completing the Corrective Action Plan. The CAP is negotiated between the PPA and the provider, if any of the above standards are not met. The CAP includes the Identified Issues, noted in steps 1 through 4 above, and requests the provider's input on the respective Corrective Measures, the Time Frame that each corrective measure will be implemented, and the Name and Title of the Person responsible for ensuring future compliance for each identified issue/finding. See attachment A, for a copy of the CAP Form. *Beginning in FY 2010, PDM will e-mail annual provider qualification notices to those providers assigned the following qualification statuses: Unconditional, Limited, Exempt, Qualification with CAP, Conditional, Provisional, and Rejected. Refer to the Section on [Assigning an Annual Qualification Status](#) for a description of each. Those providers that are unknown to PDM, no contact information or e-mail address on file, will have to contact the PPA for a qualification status and enroll in PDM for future updates.*
6. The providers requiring a Corrective Action Plan (CAP) are entered into a Provider Qualification CAP Monitoring Log. The log is maintained by the PQO to track a provider's follow-up on findings primarily related to the financial assessment measures (ratios) noted in the CAP. In order to monitor the financial condition of the provider, the PPA should request that the organization provide quarterly or semi-annual Income Statements, Balance Sheets, and/or Cash Flow Statements. However, based on the severity of the provider's fiscal health, for example a Going Concern audit opinion, the PPA may require the provider to submit these financial statements monthly. See attachment I, for a copy of the CAP Monitoring Log.
7. After preparing the CAP resulting from financial ratio issues and/or other concerns noted in the Notes to the Financial Statements or Management Letter, the PQO prepares a Preliminary CAP Letter identifying the provider's deficiencies. In some instances, the PQO may forward the proposed CAP and respective letter to their Supervisor for review and approval. See attachment C-2, for a copy of a Preliminary CAP Letter.
8. After the Supervisor approves the CAP and respective letter, the PQO e-mails the documents to the provider's contact person. If the provider agrees with the findings noted in the CAP, the provider has 45 calendar days from receipt of the CAP, to provide the required documentation to the PPA. A copy of this letter and the respective attachments are then forwarded to the appropriate Program/Contract Managers within the PPA for informational purposes.
9. The updated CAP is then reviewed by the PQO and, if applicable, the Supervisor for appropriateness and acceptance. If the agreement(s) are proper, the Supervisor returns the documents to the PQO who then e-mails the updated CAP to the Provider requesting that the organization's Board of Directors review the final documents. After the provider's Board of Directors approves the CAP, the Board's authorized signatory signs the agreements and returns them to the PQO for processing.
10. Upon receiving the final signed documents from the provider, the PQO forwards the agreement(s) to the Department's authorized representative for review and signature.

11. The PPA authorized representative then returns the signed CAP to the PQO who then prepares the final Qualification with a CAP Letter, see attachment E-1, and e-mails a copy of the approved documents to the provider. The original CAP and respective letter are maintained in the Provider Qualification Officer's files for future reference.
12. The PQO accesses the PDM service periodically during the qualification process to update the provider files and to ensure that all relevant information regarding the provider is updated. *It is important for the PQO to keep the providers PDM file current so that a monthly Master Provider Qualification Status Report (MPQSR) and other Summary Reports can be produced by the 15th of each month.*
13. If a provider receives a CAP, based on the Financial Assessment Measures or other concerns from the Notes to the Financial Statements or Management Letter, the PQO should attach a copy of the Final CAP Form to the Provider's PDM file for EOHHS access. The PPA may include the financial ratio weaknesses, excess 5% Surplus Revenue Retention, and other deficiencies on the same CAP Form. However, *please remember that only those CAPs including material non-compliance findings, and any significant deficiencies or material weakness internal control findings should be forwarded to OSD. All CAP Forms will be saved electronically and then be uploaded, in PDF format, to the provider's PDM file for informational purposes.*

For details on how to access PDM and update Provider Qualification information, please refer to the [POS Provider Data Management Agency User Manual](#).

Interpreting the Independent Auditor's Report

Overview

“An auditor’s standard report explains whether the financial statements present fairly, in all material respects, an entity’s financial position, results of operations and cash flow (and Statement of Functional Expenses, for non-profits) in conformity with Generally Accepted Accounting Principles (GAAP) based on an audit performed in accordance with Generally Accepted Government Auditing Standards GAGAS.”

(Sources: AU 508 and AU 801, FASB 117)

Types of Opinions

The following table lists the different types of Auditor's Opinions.

Auditor's Opinions:

| Type | Description |
|---|--|
| Unqualified Opinion | States the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with GAAP. This is the opinion expressed in the auditor's standard report. See attachment D-1. |
| Qualified Opinion | States that, except for the effects of the matter(s) to which the qualification relates, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with GAAP. See attachment D-2. |
| Adverse Opinion | States the financial statements do not present fairly the financial position, results of operations, and cash flows of the entity in conformity with GAAP. An adverse opinion cannot be expressed unless an audit in accordance with Generally Accepted Auditing Standards (GAAS) was performed. See attachment D-3. |
| Disclaimer of Opinion | States that the auditor is unable to and does not express an opinion on the Financial statements. See attachment D-4. |
| Going Concern Opinion | States material weaknesses and reportable conditions were noted during the review. These concerns raise substantial doubt about an entity's ability to continue as a going concern. See attachment D-5. |
| Compilation (Traditional and Management-use-only engagements) | Presents financial statements that are the representation of management or owner's without expressing any assurance on those statements. See attachment D-6. |

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| Accountant's Review Report | Applies inquiry and analytical procedures to financial statements to provide a basis for expressing limited assurance that there are no material modifications that should be made to these statements for them to be in conformity with GAAP or Other Comprehensive Basis of Accounting (OCBOA). See attachment D-7. |
|----------------------------|---|

Source: Dr. Carmichael, D. Guy & L. Lach (2003). *Practitioner's Guide to GAAS: Covering all SAs, SSAEs, SSARs, and Interpretations*. Hoboken, NJ: Wiley & Sons.

Reference: See Attachments D-1 through D-7, for examples of Independent Auditor's Reports (Opinion Letters).

Financial Assessment Measures

Overview

Three primary ratios should be reviewed as part of the provider qualification process. The three primary ratios will be analyzed to determine if a provider will require a corrective action plan for the fiscal year being reviewed. The ratios will be compared to the EOHHS established thresholds for provider conformance. Six supplementary ratios are also provided and should be reviewed for those providers that have border-line thresholds.

The PPA will review the primary ratios results for conformance with the following standards:

- Current Ratio: ≥ 1.0
- Days Working Capital: ≥ 10 Days
- Operating Margin: $\geq (5) \%$

Note: If after reviewing the three primary ratios a provider is found to be in non conformance with the established thresholds, a CAP may be initiated by the PPA.

Ratios, Definitions and Formulas

| Ratio | Definitions/Formulas |
|------------------------------|--|
| Current Ratio | This ratio is one of the most widely used financial measures of a company's liquidity, in other words, how many times over the organization can pay its current liabilities with its current assets. Generally, the higher the ratio the greater the "cushion" between current obligations and the company's ability to pay for them. Formula: <i>Total Current Assets (Line 11, SOP) / Total Current Liabilities (Line 26, SOP)</i> |
| Days in Cash | Expressed as the number of days that operating cash can be met with available cash and investments. Values above the median are favorable. Formula: <i>Cash & Cash Equivalents (Line 1, SOP) * 365 / Total Expenses & Losses (Line 19, SOA) less Total Depreciation of Buildings and Equipment (Line 7, SFE)</i> |
| Days in Working Capital | The days in working capital is an indication of how much of the short-term financial resources will be left over if all of the organization's short-term financial obligations are paid off. Generally, the more days in working capital, the better. Formula: <i>Total Current Assets (Line 11, SOP) less Total Current Liabilities (Line 26, SOP) * 365 / Total Expenses (Line 17, SOA) less Total Depreciation of Buildings and Equipment (Line 7, SFE)</i> |
| Days in Payables | Formula: <i>Total Current Liabilities (Line 26, SOP) Less Deferred Revenues (Line 24, SOP) * 365 / Total Expenses & Losses (Line 19, SOA) less Total Depreciation of Buildings and Equipment (Line 7, SFE)</i> |
| Long-Term Debt to Net Assets | Formula: <i>Long-Term Notes & Mortgage Payable (Line 27, SOP) / Total Net Assets (Line 34, SOP)</i> |
| Days in Receivable | Formula: <i>Net Accounts Receivable, Program Services (Line 4, SOP) * 365 / Program Service Fees (Line 4, SOA)</i> |

| | |
|--|---|
| Total Margin | Formula: <i>Total Revenue, Gains, & Other Support (Line 13, SOA) less Total Expenses & Losses (Line 19, SOA) / Total Revenue, Gains and Other Support (Line 13, SOA)</i> |
| Operating Margin | Formula: <i>Total Revenue, Gains, and Other Support (Line 13, SOA) less Total Expenses (Line 17, SOA) / Total Revenue, Gains and Other Support (Line 13, SOA)</i> |
| Operating Cash Flow to Current Liabilities | Formula: <i>Cash Flow from Operations (Line 14, SCF) / Total Current Liabilities (Line 26, SOP)</i> |
| SOP | <i>Statement of Financial Position (Balance Sheet)</i> |
| SOA | <i>Statement of Activities (Income Statement)</i> |
| SCF | <i>Statement of Cash Flow</i> |
| SFE | <i>Statement of Functional Expenses</i> |

Assigning an Annual Qualification Status

Qualification Status Categories

The PQO will assign one of the following qualification statuses after completing a provider's annual qualification:

- Limited Qualification
- Unconditional Qualification
- Qualification with a Corrective Action Plan
- Conditional Qualification
- Provisional Qualification
- Exempt Qualification
- Rejected Qualification

Important: If an organization received no EHS M03/MM3 POS funding during the fiscal year reviewed, the provider should be assigned a No EHS POS Business classification in PDM.

Limited Qualification

The provider is considered qualified to do limited business with the Commonwealth for the upcoming fiscal year (or the upcoming contract period, if it is less than a full year).

Tip: Click the *Federal Funds Reports* on the OSD home page at:

<https://ufr.osd.state.ma.us/home.asp> to confirm the total amount of State POS expenditures (M03/MM3) and total pass through federal funds received by a provider. To determine the amount of federal funds received by a provider and their affiliates, please refer to the *Schedule of Expenditures of Federal Awards* in the parent organization's UFR filing.

Notes:

- The total amount of EHS POS expenditures and federal funding must be verified to ensure that the provider qualifies for a limited qualification status. Refer to the Criteria section below for funding guidelines.
- Refer to the OSD Exceptions/Exemption Documentation Requirements Matrix for a listing of the alternative requirements that must be filed with OSD. See the [OSD UFR Audit and Preparation Manual, Exceptions/Exemptions to Filing a UFR](#).
- Refer to the [Provider Contract Summary](#) Link in PDM for a listing of all EOHHS Purchase of Service fiscal year funding.

For the purposes of Provider Qualification, the following criteria must exist for an organization to receive a Limited Qualification Status.

Criteria:

- During the nonprofit organization's reporting year, the provider and other affiliates/commonly controlled entities, reported in the UFR, received less than \$100,000 in total EHS POS (M03/MM3) funding.
- The provider is not required to file an A-133 audit with the Commonwealth (i.e., direct and/or sub-recipient federal funding subject to A-133 audit requirements was less than \$500,000 for the organization's last fiscal year).
- The provider is not required to complete a Corrective Action Plan (CAP) and any prior year CAP requirements have been met; if applicable.
- All MMARS contract processing requirements have been met (e.g. FEIN documentation).

Unconditional Qualification

The provider is considered financially and administratively qualified to do business with the Commonwealth for the upcoming fiscal year (or the upcoming contract period, if it is less than a full year). There are no procurement restrictions imposed.

Criteria:

- During the nonprofit organization's reporting year, the provider and any other affiliates/commonly controlled entities, reported in the UFR, received \$100,000 or more in total EHS POS (M03/MM3) funding.
- All required provider qualification submissions have been completed, reviewed, and found to be satisfactory.
- The provider and all affiliates/commonly controlled entities are in satisfactory financial condition and are in full compliance with other applicable state and federal requirements (e.g., tax filing, debarment, etc.).
- There are no audit findings requiring resolution under the OSD Audit Resolution Policy, no OSD sanction requests and no other concerns significant enough to warrant a Corrective Action Plan.

Qualification with a Corrective Action Plan

The provider is considered qualified to do business with the Commonwealth subject to the terms and deadlines set forth for the implementation of a corrective action plan.

While audit resolution issues must be addressed through a formal Corrective Action Plan (CAP) executed jointly by the provider and the Commonwealth/PPA, financial and other issues may be handled on a less formal basis where the issues are of "routine" rather than "major" concern. The length of time for which this qualification status remains in effect is dependent on the PPA determination and may be for a period of less than 12 months.

In practice, depending on the type and severity of issues involved, the provider is actually notified that it has been qualified with a CAP for one of the following weaknesses:

- Findings (Internal Control/Compliance)
- Financial Ratio Issues
- Other Concerns/Excess 5% Surplus Revenue Retention (SRR)/Commercial Fee. Excess SRR/Commercial Fee, by themselves, do not require a CAP.

Criteria:

- During the nonprofit organization's reporting year, the provider and any other affiliates/commonly controlled entities reported in the UFR received \$100,000 or more in total State POS (M03/MM3) funding.
- All required provider qualification submissions have been completed and reviewed. (See Provisional Qualification or Rejection/Termination in this chapter regarding complete submissions.)
- The PPA review has identified deficiencies that must be addressed and corrected in order for the provider to continue doing business with the Commonwealth and the deficiencies do not meet the criteria for Conditional Qualification status or Rejection/Termination.

Criterion:

The Corrective Action Plan (CAP) covering all identified deficiencies was submitted, reviewed and executed as required.

Issues of Major and Routine Concerns:

While the use of formal CAPs are required for the resolution of all audit findings, the use of formal CAPs or more informal monitoring approaches to corrective measures is determined by whether or not the issues are "**Major**" or "**Routine**" concerns.

Issues of routine concern are those where, in the judgment of the PPA, the issues are not longstanding or extremely serious and are likely to be successfully addressed within a 12 month period.

Issues are categorized as being of **major concern**, requiring execution of a formal CAP where:

- a) the issues are long standing and have not been adequately addressed by the provider; or
- b) the issues are extremely serious (e.g., problems meeting payroll, operating loss $\geq 5\%$, negative current unrestricted fund or net asset balances, etc.); or
- c) there is a concern on the part of the PPA that issues that are not yet extremely serious may become so due to questions regarding the provider's ability or willingness to appropriately and successfully respond in a timely manner.

Note: Where the provider's ability or willingness to meet its contractual obligations is in doubt (regardless of the presence or absence of a "Going Concern" audit opinion), or where other

Conditional Qualification criteria apply, the provider must be Conditionally Qualified rather than Qualified with a CAP.

Limitations/Conditions:

The provider must fully comply with all requirements for corrective measures within the specified time frames. Failure to comply shall cause a re-opening of the qualification status resulting in a possible change of status (e.g., to Conditional Qualification or, in extreme cases, Rejection/Termination) and the implementation of Non-filing & Non-compliance Penalties where appropriate.

Conditional Qualification

Due to information contained in the provider's audit (UFR) or other information developed by the PPA review, it appears that the organization is not financially and/or administratively qualified to do business with the Commonwealth.

Where the PPA (in consultation with other secondary purchasing agencies) has determined that the best interests of the Commonwealth and its clients warrant continued contracting with the provider, despite the deficiencies, and where the provider is willing to deliver the terms of the corrective action plan and all additional contracting conditions set forth by EOHHS and the PPA, the provider may be Conditionally Qualified.

The length of time that the Conditional status remains in effect is dependent on the PPA determination and may be for a period of less than 12 months.

Criteria:

- All required qualification submissions have been completed and reviewed. (See Provisional Qualification or Rejection/Termination in this chapter regarding incomplete submissions.)
- The PPA review has identified **serious deficiencies** that must be addressed and corrected in order for the provider to continue doing business with the Commonwealth and the deficiencies do not require Rejection/Termination (i.e., deficiencies do not involve a disclaimer or adverse audit opinion, going concern opinion for 3 consecutive years with no evidence of significant improvement, State or Federal debarment, or ongoing tax non-compliance).
 - Serious deficiencies include:
 - circumstances raising significant doubt regarding the provider's ability, or
 - willingness to fulfill its obligations to its consumers, employees, other involved providers (e.g., sub-contractors, joint venture partners) and the Commonwealth for the current and/or next fiscal year.
 - Serious deficiency examples include:

- significant negative working capital or negative net worth; identification of serious adverse financial trends; serious or repeated internal control or compliance findings;
 - failure to meet payroll or employee benefit obligations; serious or repeated violation of POS subcontract obligations;
 - major contingent liability issues (unlikely in the case of Massachusetts non-profit corporations due to statutory liability restrictions, but applicable in the case of for-profits and non-profits not incorporated in Massachusetts);
 - serious misconduct charges involving organizational principals; and
 - violations of governance or other provisions of the General Terms and Conditions.
- While providers typically resolve problems within one to three years through the Qualification with Corrective Measures process, where providers have failed to resolve longstanding problems, or where doubt exists regarding the most appropriate category to use, the PPA should conservatively categorize providers as Conditionally Qualified, particularly where the level of POS involvement with the provider is high.
 - A Corrective Action Plan (CAP) covering all identified deficiencies was submitted, reviewed and executed.

Limitations/Conditions:

- Conditional Qualifications may be assigned by the PPA after consultation with other secondary purchasing agencies.
- Any written communications from the PPA to the provider regarding the qualification process and assigned status must be copied to the Board of Directors and the provider's CPA, as well as to appropriate purchasing agency senior management and program staff.
- The PPA is responsible for the tracking and monitoring of the provider and for communicating the ongoing activities with EOHHS and other purchasing agencies. The PPA must fulfill this role in a responsible manner, recognizing the sensitivity of the Conditional Qualification status and the potential impact on the Commonwealth, other purchasing agencies, and their clients.
- Providers that have been Conditionally Qualified may bid on Request for Responses (RFR) for the re-award of contracts which they currently hold unless specifically prohibited by the terms of their Conditional Qualification approval; however, any proposed contract awards or major amendments must be discussed in advance with the EOHHS POS Integrity Unit Manager, the PPA, and any affected secondary purchasing agencies to ensure consistency with approved corrective action strategies and the interests of the Commonwealth and its consumers.

Utilization increases which significantly expand the scope of existing services with these providers should be allowed only in those unusual situations where the increases will help resolve the issues causing the Conditional Qualification and effectively reduce the level of risk for the Commonwealth and its clients. Short term emergency procurement under 801 CMR 21.05(3) is exempt from this restriction.

In addition to CAP requirements and the imposition of non-compliance penalties where warranted, the following standard Secretariat conditions apply and must be conveyed in writing to each provider when a Conditional Qualification status is assigned:

- The provider must authorize its auditor to communicate freely with the Commonwealth regarding the results of the audit and the ongoing financial/organizational situation should the Commonwealth see a need to consult with the auditor.
- The provider must agree to provide prior notice to EOHHS purchasing agencies, through the PPA Provider Qualification Officer, of any intent to bid on POS services (including acceptance of non-competitive awards, expansion of "MSA/Open Order" procurement, or participation in subcontracting or consortium/joint venture arrangements). The proposed procurement must not entail significant expansion [see above restrictions].
- The provider must give prior notice to the PPA Provider Qualification Officer of any significant changes in circumstances bearing on its financial stability or ability to fulfill its contractual obligations. Such changes include, but are not limited to, pending bankruptcy filing, merger, consolidation, senior management changes or other business restructuring, termination of contracts, grants or other significant revenue streams, loss or reduction of credit lines, or failure to meet payroll or other essential payment obligations.
- EOHHS purchasing agency contracts with the provider shall be limited to durations which do not exceed the Conditional Qualification duration.

Provisional Qualification

The provider qualification status is pending due to the organization's failure to complete one or more of the qualification submission requirements and the provider is being afforded additional time to fulfill the requirements.

The Provisional Qualification is a temporary status assigned to a provider and must be reviewed and a permanent qualification status assigned prior to September 30th of each year. Failure to complete submissions during the current year (e.g., missing CAP monitoring reports) are dealt with at the time the problem arises through the imposition of Non-filing & Non-compliance Penalties and, where warranted, by conversion to Conditional Qualification status or even, in extreme circumstances, contract termination pursuant to the TCHSS provisions.

Given the mid-fiscal year timing of the qualification process, most submission problems are resolved through the current year Non-filing and Non-compliance Penalties process in time to re-qualify the provider Unconditionally, with a Corrective Action Plan, or Conditionally. Provisional re-qualifications are most likely to be required in situations where a submission problem arises late in the year, as in the case of providers with UFR submissions due in May, or where the need for a CAP becomes evident late in the year and the CAP provisions and Board of Directors approval can not be finalized prior to re-contracting.

Limitations/Conditions:

- The PPA must consult with EOHHS and any other contracting purchasing agencies prior to granting any Provisional Qualification approval. Approval is entirely discretionary on

the part of the PPA. Providers have no "right" to Provisional approval since the Commonwealth is essentially exercising forbearance in imposing otherwise applicable Rejection/Termination consequences.

- Approval conditions may be imposed by the PPA and/or the Secretariat. If there is reason to believe that missing information (e.g., overdue audited financial statements) may provide a basis for Rejection/Termination (e.g., the provider received a Going Concern Opinion in the prior year and the situation appears to be worsening), the provider should not be provisionally qualified.
- Current year Non-filing & Non-compliance Penalties shall continue to be imposed during the provisional qualification period where applicable.
- While existing contract arrangements may be renewed for the duration of the Provisional Qualification, new contract awards, re-awards, amendments involving service expansion, and expansion of Master Service Agreement utilization are, barring exceptional circumstances, to be discussed in advance with the Secretariat and any other involved agencies, and prohibited until the provisional status is lifted.

Exempt Qualification

The provider is a governmental agency; city, town municipality, local education authority, or regional school district considered financially and administratively qualified to do business with the Commonwealth for the upcoming fiscal year (or the upcoming contract period, if it is less than a full year). There are no procurement restrictions imposed.

Notes: Other government organizations including, committees, education collaborative, public entities or quasi-government agencies that are not considered agencies of the Commonwealth that do not qualify for other exemptions and exceptions and are **not** required to file financial statements audited in accordance with GAGAS and OMB Circular A-133 with the Bureau of Accounts (of the Division of Local Services) in the Commonwealth's Department of Revenue (DOR) **do not** qualify for this exemption as a government agency.

Reference: See exempt filing #4 and #4a for documentation requirements in the Exceptions/Exemptions Documentation Requirements Matrix found in the OSD [UFR Audit and Preparation Manual](#).

Criteria:

- The provider is a governmental organization, city, town municipality, local education authority, or regional school district and is exempt from filing an annual UFR with the Operational Services Division (OSD).
- The provider is not required to file an A-133 audit with the Commonwealth (i.e., Direct and/or sub-recipient federal funding subject to A-133 audit requirements, was less than \$500,000 for the organization's last fiscal year).
- All MMARS contract processing requirements have been met (e.g. FEIN documentation).

- Any Corrective Action Plan requirements have been met.

Rejected Qualification

The provider is **NOT** considered qualified to do business with the Commonwealth.

Criteria:

- The provider failed to meet the established criteria for qualification (e.g., an adverse or disclaimer audit opinion has been issued or a going concern opinion has been issued for three consecutive years and there has not been any significant improvement in the organization's condition) and/or the provider fails to meet the majority of satisfactory financial condition criteria and problems are so severe and long standing that it is not in the best interests of the Commonwealth to continue doing business with the provider.
- No provider may be qualified and any existing qualification shall automatically terminate in the event of either Federal or State debarment or failure to immediately comply with records inspection/audit requirements of the TCHSS section 7.

Limitations/Conditions:

- Qualification shall be rejected and any previous qualification approvals shall terminate.
- In the absence of any separate Debarment/Suspension process, the provider may reapply at any time for the purpose of responding to subsequent procurement solicitations.

| Executive Office of Health and Human Services | | | | | | | |
|--|---------|---------------|--------------|--------------|-------------|--------|--------------|
| Purchase of Service (POS) Integrity Unit | | | | | | | |
| Provider Qualification Requirements Matrix | | | | | | | |
| Criteria | Limited | Unconditional | CAP | Conditional | Provisional | Exempt | Rejected |
| Received Less than \$100,000 in Total EHS POS (M03/MM3) Funding | ALL | | | | | | |
| Provider Not Required to File an A-133 Audit | | | | | | | |
| Provider is not Required to Complete a CAP | | | | | | | |
| Provider and All Affiliates are in Compliance with Applicable State & Federal Requirements (e.g. Tax Filing & Debarment) | | | | | | | |
| Received \$100,000 or More in Total EHS POS (M03/MM3) Funding | | ALL | | | | | |
| Provider and All Affiliates are in Satisfactory Financial Condition | | | | | | | |
| All Required PQ Submissions have been Completed, Reviewed, and found to be Satisfactory | | | | | | | |
| Internal Control, Compliance, Financial Ratio, or Other Concerns Significant Enough to Warrant a CAP Exists | | | At Least One | | | | |
| Deficiencies do not Meet the Criteria for Conditional or Rejected PQ Status | | | | | | | |
| A CAP Covering all Deficiencies was Submitted, Reviewed, and Executed | | | | | | | |
| Auditor's Going Concern Opinion or Issues | | | | At Least One | | | |
| Significant Negative Working Capital or Negative Net Worth | | | | | | | |
| Serious or Repeated Internal Control/Compliance Findings | | | | | | | |
| Failure to Meet Payroll or Employee Benefit Obligations | | | | | ALL | | |
| Serious Misconduct Charges Involving Organizational Principals | | | | | | | |
| Failure to Complete one or more of the Qualification Submission Requirements and Additional Time is Allowed to Fulfill the Requirements because of the Providers late UFR FYE Date | | | | | | | |
| A Governmental Organization, City, Town, Local Education Authority, or Regional School District Exempt from Filing a UFR with OSD | | | | | | ALL | |
| State/Federal Debarment | | | | | | | |
| Disclaimer/Adverse Audit Opinion | | | | | | | |
| Going Concern 3 Consecutive Years W/O Significant Improvement | | | | | | | At Least One |
| Failure to File a UFR with OSD | | | | | | | |
| Failure to Comply with Records Inspection Requirements of the TCHSS Section 7 | | | | | | | |
| Provider Qualification Requirements Matrix 021610 | | | | | | | |

QUALIFYING NEW POS PROVIDERS

Contracting Qualification Review for Potential New Providers

Overview

While the Request For Response (RFR) process evaluates the programmatic capabilities of bidders proposing to provide contracted human services to one or more of the agencies under the Executive Office of Health and Human Services (EOHHS) secretariat umbrella, there are also numerous federal and state administrative requirements surrounding the expenditure of public funds with which EOHHS agencies and their contracted and subcontracted service provider organizations must comply. This “qualification” review is used to evaluate the bidder’s administrative and financial capabilities to assume these responsibilities and to ensure that various contracting administrative preconditions are fulfilled. Qualification instructions are distributed to potential new providers as part of the Request for Response (RFR) bid solicitation process and technical assistance is provided by the purchasing agency as needed to assist these organizations in completing the submission process. When a potential new provider participates in its first human services bid process with an EOHHS purchasing agency, that agency becomes the "Principal Purchasing Agency" (PPA) and is responsible for processing the bidder's qualification submission prior to any contracting award determination. Ordinarily, the bidder's qualification submission is due no later than the submission deadline for the bid response submission.

The contracting qualification review for potential new providers is performed to:

1. Ensure the financial and program integrity of the Purchase of Service (POS) System;
2. Minimize financial and administrative risk to the Commonwealth and the people served through the POS system; and
3. Maintain current, accurate information on Purchase of Service organizations, including contact names, addresses, and other information critical to the effective and efficient management of the POS System.

If the organization is awarded a contract and becomes a POS provider, an annual qualification process is conducted by the PPA and serves to update organizational and risk assessment status information and provides a means for resolving any identified audit issues. Failure to meet qualification requirements may preclude contract finalization for qualification periods or result in early termination of any existing multi-year contracts. If the organization eventually enters into contracts with other EOHHS agencies, there is no need to duplicate the review since the original purchasing agency, as the assigned PPA, conducts the process on behalf of all other EOHHS agencies.

New providers are advised to promptly visit the OSD web site at their [Procurement Information Center](#) to familiarize themselves with the State’s procurement process. Each major component of the procurement process is presented as a link from this page. The major topics are listed along with associated policy and expanded guidance. Also, Regulations (801 CMR 21.00, Procurement of Commodities and Services, Including Human and Social Services and 808 CMR 1.00 Compliance, Reporting and Auditing for Human and Social Services) can be accessed through the Regulations link on this page. To familiarize themselves with the State financial reporting requirements, new providers should visit the OSD web site at [Information and Resources on the Uniform Financial Reports](#) or contact OSD at (617)-720-3300.

Technical assistance is also available from PPA staffs to help minimize the misunderstandings and managerial complications that occasionally arise while new providers learn the intricacies of governmental human services contracting. For example, organizations that previously engaged CPA firms for routine financial audits under the provisions of the AICPA Audit and Accounting Guide for Not-For-Profit Organizations (ANPO) may find that their audits will also be required to be conducted in accordance with Generally Accepted Governmental Auditing Standards (GAGAS, a.k.a. GAS) if the procurement exceeds exemption/exception thresholds established by the OSD.

Note that while completion of the provider qualification process by new providers is required in conjunction with the RFR response submission, it is a distinct process. For additional information regarding the Contracting Qualification Review for Potential New Providers, contractors should refer to the EOHHS web site at [Potential New POS Providers](#). If the provider has questions after reviewing these instructions, please do not hesitate to contact your PPA representative identified in the RFR instructions. [A PPA/Departmental contact listing can be found here](#). PPA staff is available to provide any necessary qualification technical assistance to new bidders.

**Contracting with the Commonwealth of Massachusetts
To Provide Human and Social Services
Potential New Provider
Self-Assessment Screening for Preliminary Eligibility to Contract
With the Executive Office of Health and Human Services (EOHHS)**

In order to become eligible to contract with the EOHHS agencies, your organization must answer yes to the three following questions.

1. Is your organization responding to a Request for Response (RFR) to provide Human and Social Services?
_____ Yes _____ No
2. Has your organization filed Articles of Organization, Corporate Bylaws, a Certificate of Limited Partnership or other documents with the Massachusetts Secretary of State?
_____ Yes _____ No
3. Does your organization have a financial history as demonstrated by one or more of the following documents: audited financial statements; letter/line of credit in the name of the organization; IRS Form 990 – Return of Organization Exempt from Income Tax; or Form PC – Massachusetts Office of the Attorney General - Division of Public Charities?
_____ Yes _____ No

If you answered **yes** to all three questions, then proceed to the [Contracting Qualification Form](#) (link opens to the Contracting Qualification Form and to the Instructions to Complete the Form)

If you answered **no** to any of the questions, you are not eligible to apply for EOHHS contracts/funding at this time. Organizations that have not incorporated can access information about organizing a non-profit corporation at the following websites:

- [The Secretary of the Commonwealth Corporation Division](#)
- [The Secretary of the Commonwealth Citizen Information Service](#)

For more information on the Commonwealth's Procurement Access and Solicitation System, please refer to the following Website, [Welcome to Comm-PASS](#)

Contracting Qualification Form

Responding to (RFR) #: _____

Issued by EOHHS Agency: _____

I. Information for Primary Organization:

Primary Organization Name: _____ FEIN #: _____

____ Check here, if the primary organization is a "non-contracting parent" entity and attach the Supplement (Page 2) for the child/affiliate organization information.

Organization Type (check one): ☐ Non Profit ☐ For Profit ☐ Governmental Entity (Go to Sec II, #3 below)

Organization's Corporate Address:

Number/Street

City

State

Zip

Chief Executive Officer:

First Name

Last Name

Contact Person: First Name Last Name

Title

Telephone #

E-mail Address

II. Submission Materials - Covering the primary organization and all affiliated entities as required by instructions (link opens to instructions, [PDF](#) or [RTF](#)):

1. **Financial/Audit Information:** Required for all commonly controlled, affiliated or related entities. See the instructions for details. Fiscal Year End: _____

Submission Type (Choose those that apply):

____ Compilation Report

____ IRS Form 990 - Return of Organization Exempt from Income Tax

____ Review Report

____ Letter/Line of Credit in Name of Organization

____ Audit Report

____ Uniform Financial Report (UFR)

____ Form PC - MA Office of the Attorney General, Division of Public Charities

____ Corrective Action Plan (CAP)

2. **Additional Submission Requirements** (All items must be provided, except as noted in item 3 below):

____ a) Federal Employer ID # (FEIN) Documentation / W-9

____ d) Board/Principals Information

____ b) Terms & Conditions for Human and Social Services Contracting

____ e) Organizational Chart

____ c) Articles of Organization/Corporate Bylaws

3. **Exemption:** If the submission is for a *Governmental Entity*, please check here _____. Only items 2a and 2b must be provided.

III. Related Party Disclosure Certification

The signatory below represents that all required related party disclosures have been made in a complete and accurate manner and that all pricing and procurement requirements pertaining to related party relationships have been fulfilled in compliance with 808 CMR 1.00 and the supplemental guidance material promulgated by the Operational Services Division of the Commonwealth. **If applicable, please attach a separate document describing any current related party transactions.**

IV. Federal Disclosure, Tax and Other Compliance Certification

Under the penalties of perjury, the signatory below certifies that neither the organization nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation by any Federal or state department or agency that the organization complies with the laws and regulations relating to State and Federal Taxes and with all other requirements of the Terms and Conditions for Human and Social Services contracting and that all qualification submission information and attachments are true and complete to the best of my knowledge and signatory's knowledge and belief. The certification line below must be signed and dated by the authorized signatory for each organization covered by this submission. The signatory for the Primary Organization should sign below on this page. The signatory for each additional organization should sign on the supplemental page(s) covering information for child/affiliate organizations.

Authorized Signature: _____ Date: _____

FOR PPA INTERNAL USE:

Qualification Status: _____ Early Termination Date if Conditional or Provisional: _____

Audit Opinion: _____ Findings: _____

Comments: _____

PPA Approval: _____ Date: _____

Supplement to Contracting Qualification Form

(Complete this section for each affiliated organization. This page may be copied as required.)

Primary Organization Name: _____ **FEIN #:** _____

Child/Affiliate Organization Name: _____ **FEIN #:** _____

Organization Type (check one): ☐ Non Profit ☐ For Profit ☐ Governmental Entity

Organization's Corporate Address:

Number/Street

City

State

Zip

Chief Executive Officer:

First Name

Last Name

Contact Person: First Name Last Name Title Telephone # E-mail Address

Related Party Disclosure Certification

The signatory below represents that all required related party disclosures have been made in a complete and accurate manner and that all pricing and procurement requirements pertaining to related party relationships have been fulfilled in compliance with 808 CMR 1.00 and the supplemental guidance material promulgated by the Operational Services Division of the Commonwealth. **If applicable, please attach a separate document describing any current related party transactions.**

Federal Disclosure, Tax and Other Compliance Certification

Under the penalties of perjury, the signatory below certifies that neither the organization nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation by any Federal or state department or agency that the organization complies with the laws and regulations relating to State and Federal Taxes and with all other requirements of the Terms and Conditions for Human and Social Services contracting and that all qualification submission information and attachments are true and complete to the best of my knowledge and signatory's knowledge and belief. The certification line below must be signed and dated by the authorized signatory for each organization covered by this submission. The signatory for each additional organization should sign on the supplemental page(s) covering information for their child/affiliate organizations.

Authorized Signature _____ Date _____

Child/Affiliate Organization Name: _____ **FEIN #:** _____

Organization Type (check one): ☐ Non Profit ☐ For Profit ☐ Governmental Entity

Organization's Corporate Address:

Number/Street

City

State

Zip

Chief Executive Officer:

First Name

Last Name

Contact Person: First Name Last Name Title Telephone # E-mail Address

Related Party Disclosure Certification

The signatory below represents that all required related party disclosures have been made in a complete and accurate manner and that all pricing and procurement requirements pertaining to related party relationships have been fulfilled in compliance with 808 CMR 1.00 and the supplemental guidance material promulgated by the Operational Services Division of the Commonwealth. **If applicable, please attach a separate document describing any current related party transactions.**

Federal Disclosure, Tax and Other Compliance Certification

Under the penalties of perjury, the signatory below certifies that neither the organization nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation by any Federal or state department or agency that the organization complies with the laws and regulations relating to State and Federal Taxes and with all other requirements of the Terms and Conditions for Human and Social Services contracting and that all qualification submission information and attachments are true and complete to the best of my knowledge and signatory's knowledge and belief. The certification line below must be signed and dated by the authorized signatory for each organization covered by this submission. The signatory for each additional organization should sign on the supplemental page(s) covering information for their child/affiliate organizations.

Authorized Signature _____ Date _____

Executive Office of Health and Human Services
Purchase of Service Integrity Unit



Audit Resolution Oversight Policy for OSA Audits

September 2008

Purpose: To provide oversight and support to purchasing agencies in bringing to conclusion audit resolution and corrective action plan activities in accordance with the Office of the State Auditor (OSA) and the Operational Services Division (OSD) of the Executive Office for Administration and Finance standards in order to maximize efficiency and economy of purchased services and to minimize risk to consumers and scarce public resources.

Policy: The Executive Office of Health and Human Services provides direct oversight of all human services purchasing agencies audit resolution and corrective action plan activities, ensures that purchasing agency policies and procedures are in place, and that activities are tracked and brought to successful conclusion in accordance with OSA and OSD standards.

This policy applies to the EOHHS POS Integrity Unit and purchasing agency audit liaisons.

Oversight:

1. The POS Integrity Unit will review audit resolution policy and procedures, communicate with purchasing agency liaisons, and with OSD as needed, update policy and procedures documents, and offer assistance to purchasing agencies to ensure audit resolution timelines are met.
2. A committee is in place that is represented and led by the EOHHS POS Integrity Unit and attended by identified liaisons from EOHHS purchasing agencies that are involved in resolving OSA audits of their POS providers. This committee will meet quarterly to report on the status of any special areas of risk, changes in policy and/or procedures, or other concerns regarding audit resolution.
3. Audit resolution and corrective action planning will commence upon OSA issuance of audit reports. Audit resolution activities may begin earlier if the PPA or other oversight agency becomes aware of potential findings via a draft audit report or verbal communication with the provider.
4. PPA audit liaisons will make every reasonable effort to issue a management decision on audit findings within six months after receipt of the OSA audit report and Corrective Action Plan (CAP) according to the [OSD UFR Auditor's Compliance Supplement, Audit Resolution Policy for Human and Social Services](#). *Should unusual circumstances occur during the audit resolution process that would prohibit the PPA from meeting this requirement, an official*

written request should be made by the PPA to OSD for additional time to complete the audit resolution.

5. When multiple state agencies contract with the same provider requiring a CAP, each state agency will be responsible for resolving their findings but the PPA auditor will coordinate the audit resolution process. Meetings among the oversight state agencies may be necessary so that the PPA auditor can delegate the responsibilities to each agency. The PPA auditor will perform any required follow-up review.
6. A Corrective Action Plan (CAP) will include all findings and deficiencies reported in the OSA audit. The corrective actions to be taken, along with specified action dates, must be identified in the corrective action plan and approved by the Provider's Board of Directors. The CAP form used by the EOHHS agencies will be the form prescribed by EOHHS and is included, as attachment A, in this Policies and Procedures Reference Guide.
7. Costs recommended for recovery by the OSA will be considered as disallowed costs and collected according to the [OSD UFR Auditor's Compliance Supplement, Audit Resolution Policy for Human and Social Services](#). Written justification supported by sufficient, competent, and relevant evidence must account for the legal basis for any decision not agreeing with the OSA findings and recommendations. Disagreements between the departments, providers, and the OSA will be resolved by the OSD.
8. When expenses are undocumented in cost reimbursement contracts, other evidence (in the form of alternate documentation) cannot be considered and recovery of funds, in cash, is appropriate. In these instances, the PPA will collect repayments due to the Commonwealth on behalf of all EOHHS state agencies. Department management decisions not to collect the costs recommended for recovery by the OSA (disallowed costs), in whole or in part must be reviewed by the legal counsel of the purchasing Department, the EOHHS Purchase of Service Integrity Unit, and the OSD audit and legal staff for appropriateness.
9. EOHHS agency audit liaisons will access the Provider Data Management (PDM) Service periodically during the audit resolution process to update the provider files and to ensure that all relevant information regarding the provider is updated. *It is important for the PPA audit liaison to keep the providers PDM file current so that a quarterly Summary of OSA Audit Resolutions and other Summary Reports can be produced by the 30th of the following months: January, April, July, and October.*
10. The POS Integrity Unit will track all audit resolutions and CAP activities, through the PDM Service, until all corrective measures are implemented and all recoupments made to the Commonwealth. These quarterly *Summary of OSA Audit Resolutions and other Summary Reports* will be produced, on all OSA audits of EOHHS Purchase of Service providers, and forwarded to the agency liaisons quarterly. These summary reports will be filed with the EOHHS POS Integrity Unit.

Executive Office of Health and Human Services
Purchase of Service Integrity Unit

Audit Resolution Procedures for Office of the State Auditor (OSA) Audits

OSA Audits Issued After July 1, 2007

Audit resolutions are completed according to the guidelines established in the Audit Resolution Policy 808 CMR 1.00. These policies are published by the Commonwealth's Executive Office for Administration and Finance, Operational Services Division (OSD) – Audit Bureau. For a copy of these policies, refer to the [OSD UFR Auditor's Compliance Supplement, Audit Resolution Policy for Human and Social Services](#). The EOHHS supplements to this policy follow:

- EOHHS Supplement to the Operational Services Division Audit Resolution Policy;
- EOHHS Audit Resolution Oversight Policy for OSA Audits; and these
- Audit Resolution Procedures for OSA Audits.

Departments are expected to assign a *high* priority to the resolution of audit recommendations and to corrective actions related to findings contained in the OSA audit reports.

Normally, the State agency within the EOHHS Secretariat that provides the most money to a state provider during a fiscal year is considered the Principal Purchasing Agency (PPA). The PPA auditor is responsible for the audit resolution of all material/immaterial non-compliance findings, as well as, any significant deficiencies and material/not material internal control findings noted in the entity's structure. As such, an audit resolution is required in order to make a final determination of those findings. As a result, a Corrective Action Plan (CAP) will be necessary. For additional details regarding which audit findings require resolution, refer to the [OSD UFR Auditor's Compliance Supplement, Audit Resolution Policy for Human and Social Services](#).

The following procedures will be used by the EOHHS agencies when performing audit resolutions of OSA audit reports for Purchase of Service (POS) Providers contracting with EOHHS Departments.

OSA Audit Notification

1. When the POS Policy Office receives an electronic copy of an OSA issued audit report of an EOHHS POS provider, the POS Integrity Unit will notify in writing the relevant EOHHS Principal Purchasing Agency (PPA) Audit Liaison. In addition, if the PPA does not have a copy of the OSA audit, an electronic copy of the audit report will be forwarded to the PPA. If multiple state agencies are involved in the audit report, the PPA Audit Liaison will forward an electronic copy of the audit report to the Audit Liaison of any other EOHHS agency that contracts with the Provider.

2. If the provider's audit report requires resolution and corrective action on recommendations involving more than one purchasing agency, the PPA Audit Liaison is responsible for coordinating the audit resolution process with the other contracting state agencies. In these cases, it may be necessary for the PPA Audit Liaison to prepare a Summary of Audit Findings, attachment F, and a Summary of Questioned and Disallowed State Contract Costs by Department, attachment G.

The PPA is responsible for referring audit findings, not subject to their oversight, to the appropriate contracting state agencies. The PPA is responsible for resolving all other audit findings.

Audit Resolution Procedures

1. After receiving a copy of the audit report, the PPA Auditor will prepare a preliminary CAP letter and request that the provider prepare a Corrective Action Plan for all the OSA findings noted in the audit report. The PPA Auditor will prepare the administrative and identified issues sections of the CAP. If the provider agrees with the OSA audit recommendations, the provider will be allowed 45 days from receipt of the preliminary CAP letter to complete the CAP. The CAP must be approved by the Provider's Board of Directors and signed by the Provider's Board authorized signatory and returned to the PPA for the Department's review and authorized representative's signature.
2. After the final CAP has been signed by both the Provider and the PPA, the CAP along with any of the other applicable attachments is forwarded electronically to the OSD Audit Bureau for final review and approval.
 - OSA Executive Summary of Audit Findings;
 - Copy of a check from the provider representing reimbursement to the Commonwealth for the final agreed upon disallowed program costs; and/or an
 - Audit Resolution Repayment Agreement.

These documents support the PPA Auditor's management decisions.

Remember that according to OSD audit resolution policy, "... when expenses are undocumented in cost reimbursement contracts, other evidence (in the form of alternate documentation) cannot be considered and recovery of funds, in cash, is appropriate as a basis of resolution."

3. Once the CAP is approved by the OSD Audit Bureau, the PPA Auditor uploads a copy of the CAP to PDM. The PPA Auditor then emails a copy of the CAP and the applicable attachments to each of the following: the provider, and if applicable, other EOHHS purchasing agency liaisons. Each agency's Audit Liaison will then forward a copy of the CAP, and any attachments, to the appropriate agency Program Manager(s) for informational purposes. (The original CAP should remain in the PPA Provider Qualification Officer's files while copies should be maintained by each oversight agency's PQO for future reference).

4. Provider disagreements with the OSA audit recommendations may be negotiated with the PPA or other oversight agencies only when the provider forwards written justification supported by sufficient, competent, and relevant evidence as the legal basis for any decision not agreeing with the OSA findings and recommendations. Per OSD regulation, “evidence that was not available for review by the independent auditor during the field work stage of the audit and which the auditor indicated may be relevant to the audit findings, may be reviewed and utilized for making management decisions. However, evidence that was available but not furnished to the auditor as requested by the auditor during the field work stage of the audit may not be reviewed or considered in making management decisions.” Disagreements between departments, providers, and the OSA will be resolved by the OSD.
5. When the PPA management decisions disallow costs less than the amount recommended by the OSA, those decisions must be reviewed by the legal counsel of the purchasing Department, the EOHHS POS Integrity Unit, and the OSD audit and legal staff for appropriateness. Decisions not to collect these funds and to write them off as Commonwealth bad debts must be authorized by EOHHS, OSD, OSC, and the applicable federal cognizant oversight agencies and the President’s Office of Management and Budget, as appropriate.
6. After the PPA reviews the provider’s support documentation to the OSA costs recommended for recovery (disallowed costs), the PPA Auditor must decide whether a follow-up review is necessary. If a follow-up review to the OSA audit report is required, the PPA will provide at least ten days written notice to the provider of any impending review. At that time, the PPA Auditor will request that all pertinent and relevant supporting documentation be made available to the auditor during the follow-up review.
7. If the issues presented in the OSA audit report require additional expertise beyond that of the purchasing agencies, EOHHS will work to identify resources to assist the purchasing agencies.
8. The PPA Auditor will consider the follow-up review to the OSA audit report in making management decisions on the OSA findings and costs recommended for recovery. A letter regarding the follow-up review and final management decisions will be forwarded to the provider. The provider will be allowed 45 days from receipt of this letter to submit a final CAP to the PPA. The provider will forward a completed CAP that was approved by the provider’s Board of Directors, signed by a Board authorized signatory, and forwarded to the PPA Audit Liaison for processing. Disagreements between the departments, providers, and the OSA will be resolved by the OSD.
9. After the final CAP has been signed by both the Provider and the PPA authorized signatories, the CAP along with any of the other applicable attachments is forwarded electronically to the OSD Audit Bureau for final review and approval.
 - OSA Executive Summary of Audit Findings;
 - Copy of a check from the provider representing reimbursement to the Commonwealth for the final agreed upon disallowed costs;

- Copy of the PPA and other oversight state agencies, management decisions made in determining the provider's final allowed and disallowed program costs; and if applicable, the
- Audit Resolution Repayment Agreement and/or In-kind Services Agreement.

These documents comprise the audit resolution administrative agreement.

After OSD approves the CAP, refer to procedure # 3 above to complete the audit resolution process.

For details on how to access PDM and update the results of the OSA Audit Resolution information, please refer to the [POS Provider Data Management Agency User Manual](#).

Executive Office of Health and Human Services
Purchase of Service Integrity Unit

Audit Resolution Procedures for CPA Audits

Audit resolutions are completed according to the guidelines established in the Audit Resolution Policy 808 CMR 1.00. These policies are published by the Commonwealth's Executive Office for Administration and Finance, Operational Services Division (OSD) – Audit Bureau. For additional details, see a copy of the [OSD UFR Auditor's Compliance Supplement, Audit Resolution Policy for Human and Social Services](#). The EOHHS supplements to this policy follow:

- EOHHS Supplement to the Operational Services Division Audit Resolution Policy, and these
- Audit Resolution Procedures for CPA Audits

Departments are expected to assign a *high* priority to the resolution of audit recommendations and to corrective measures related to the findings contained in GAGAS Independent Auditor's Reports. OMB Circular A-133 audits must be resolved according to the additional provisions of OMB Circular A-133 as amended.

Normally, the State agency within the EOHHS Secretariat that provides the most money to a state provider during a fiscal year is considered the Principal Purchasing Agency (PPA). The PPA Audit Liaison is responsible for completing the audit resolution of findings reported in Financial and Compliance Audits of Purchase of Service (POS) Providers that contract with EOHHS agencies. An audit resolution is required in order to make a final determination of those findings and corrective actions. As a result, a Corrective Action Plan (CAP) is necessary.

If an audit or financial review was performed according to Generally Accepted Government Auditing Standards (GAGAS) and was conducted by a Federal Agency or an Independent Auditor (UFR or Department contracted), the following audit resolution process is implemented in order to address the findings and recommendations contained in the respective reports. All material non-compliance findings, as well as, any significant deficiencies or material internal control findings noted in the entity's structure must be addressed during the audit resolution process. For additional information regarding which audit findings require resolution, please refer to the [OSD UFR Auditor's Compliance Supplement, Audit Resolution Policy for Human and Social Services](#).

When does the audit resolution process begin?

1. After reviewing the Uniform Financial Statements and Independent Auditor's Report (UFR), the PPA auditor notes any audit findings. A Corrective Action Plan (CAP) is prepared by the Provider when there are audit findings noted in the Auditor's Report on Compliance and Internal Control over Financial Reporting, Schedule of Findings and Questioned Costs, or Management Letter. When an OMB Circular A-133 audit is completed, all findings noted by

the Independent Auditor are required to be reported in the Schedule of Findings and Questioned Costs. A CAP may also be required when a provider's primary financial assessment measures do not meet EOHHS established thresholds recorded in the Provider Data Management (PDM) service or when the PPA auditor believes that the deficiencies reported in the Management Letter or the Notes to the Financial Statements warrant monitoring. *When findings are reported and a CAP is required, the audit resolution process begins.*

2. *Beginning in FY2007, the provider is responsible for completing a Corrective Action Plan (CAP) for any material non-compliance findings, and any significant deficiencies or material internal control findings with their annual UFR submission to the OSD.*

Audit Resolution of UFR Internal Control or Compliance Findings

When the Independent Auditor, CPA Firm, requires a CAP Resulting from UFR Internal Control or Compliance Findings, the procedures detailed on pages 8 and 9 of this manual, should be followed by the PQO when completing the CAP. The following procedures are performed by the EOHHS agency Audit Liaisons when performing audit resolutions of the findings noted in these CAPs.

1. After the final CAP is signed by the Provider and the PPA, and approved by the OSD Audit Bureau, the CAP along with all the applicable attachments are completed and monitored for compliance.
 - Schedule of Findings and Questioned Costs (required for audits completed according to OMB Circular A-133. This Schedule will be included in the provider's UFR submission to OSD;
 - Copy of a check from the provider representing reimbursement to the Commonwealth for the final agreed upon disallowed program costs, if applicable;
 - Audit Resolution Repayment Agreement, see attachment H for a template; and/or an
 - In-Kind Services Agreement (negotiated and developed between the responsible agency Program Manager(s) and the Provider).

The development and monitoring of these agreements are part of the audit resolution process and together, the CAP and these documents, comprise the audit resolution administrative agreement. This administrative agreement is the result of management decisions made throughout the audit resolution process. The audit resolution process is completed when all the proposed corrective measures are implemented by the provider and, if applicable, all cash and in-kind services are recouped by the responsible agencies on behalf of the Commonwealth.

The PQO should complete the audit resolution of EOHHS Purchase of Service providers whose audits were conducted according to Generally Accepted Government Auditing Standards (GAGAS) according to the OSD Audit Resolution Policy for Human and Social Services. Please refer to the [OSD UFR Auditor's Compliance Supplement, Audit Resolution Policy for Human and Social Services](#), for these policies. For additional PPA responsibilities

and resolution guidelines, refer to the EOHHS Supplement to the Operational Services Division Audit Resolution Policy which follows on pages 42 and 43. *Note: Only those CAPs including material non-compliance findings, and any significant deficiencies or material internal control findings must be forwarded to EOHHS and OSD for review and approval.*

2. Once the CAP is approved by the OSD Audit Bureau, the PPA auditor should upload an electronic copy of the CAP to the Provider's PDM file. A copy of the CAP and the applicable attachments should also be forwarded to the provider, and if applicable, other EOHHS purchasing agency liaisons. Then the audit liaison from each of the agencies will forward a copy of the CAP and any attachments to the appropriate agency Program Manager(s) for informational purposes. (The original CAP should remain in the PPA Provider Qualification Officer's (PQO) files while copies should be maintained by each oversight agency PQO for future reference). *Note: A CAP is not required to be forwarded to the OSD Audit Bureau, when it is prepared because a provider failed to meet any one or more of the three primary EOHHS established financial assessment measure thresholds or the provider had earned in excess of 5% in surplus revenue from unit rate contracts.*

For additional information regarding which audit findings require resolution, please refer to the [OSD UFR Auditor's Compliance Supplement, Audit Resolution Policy for Human and Social Services](#).

Under the OSD Audit Resolution Policy, Corrective Action Plans must be approved by the provider's Board of Directors and signed by the Board Authorized Signatory. Failure to execute an appropriate Corrective Action Plan constitutes non-compliance with EOHHS Provider Qualification requirements and is subject to [808 CMR 1.04, Section 11](#) penalties.

If during the audit resolution process, the provider does not abide by the terms of the CAP or the other agreements, the PPA Audit Liaison, where warranted, will consider converting the provider's qualification status from Qualification with CAP to a Conditional Qualification status or, in extreme circumstances, contract termination and a Rejected Qualification status. *Refer to the Section on [Assigning an Annual Qualification Status](#) for more information regarding the Conditional and Rejected Qualification statuses.*

Audit Resolution of Financial Ratio Issues, Management Letters, or Other Concerns

When a CAP Resulting from Financial Ratio Issues, Management Letters, or Other Concerns, the procedures detailed on pages 10 – 12 of this manual, should be followed by the PQO when completing the CAP. The following procedures are performed by the EOHHS agency Audit Liaisons when performing audit resolutions of the findings noted in these CAPs.

1. After the final CAP is signed by the Provider and the PPA, the CAP along with a CAP Monitoring Log are completed and monitored for compliance.
2. With regard to Excess 5% Surplus Revenue Retention (SRR) the following attachments may apply:

- Copy of a check from the provider representing reimbursement to the Commonwealth;
- Audit Resolution Repayment Agreement; see attachment H for a copy of the template;
- In-Kind Services Agreement, (negotiated and developed between the responsible agency Program Manager(s) and the Provider); and/or a
- 5% Surplus Revenue Retention Agreement.

The development and monitoring of these agreements are part of the audit resolution process and together, the CAP and these documents, comprise the audit resolution administrative agreement. This administrative agreement is the result of management decisions made throughout the audit resolution process. The audit resolution process is completed when all the proposed corrective measures are implemented by the provider and, if applicable, all cash and in-kind services are recouped by the responsible agencies on behalf of the Commonwealth.

The PQO should complete the audit resolution of EOHHS Purchase of Service providers whose audits were conducted according to Generally Accepted Government Auditing Standards (GAGAS) according to the OSD Audit Resolution Policy for Human and Social Services. Please refer to the [OSD UFR Auditor's Compliance Supplement, Audit Resolution Policy for Human and Social Services](#), for these policies. For additional PPA responsibilities and resolution guidelines please refer to the EOHHS Supplement to the Operational Services Division Audit Resolution Policy which follows on pages 42 and 43.

Note: A separate CAP should not be prepared for Excess 5% SRR; instead an agreement as to how the provider will reimburse the respective Department(s) should be developed and monitored in PDM until the SRR issue is resolved.

3. Once the CAP is approved by the PPA and the Provider, the PPA auditor should upload an electronic copy of the CAP to the Provider's PDM file. A copy of the CAP and the applicable attachments should also be forwarded to the provider, and if applicable, other EOHHS purchasing agency liaisons. Then the audit liaison from each of the agencies will forward a copy of the CAP and any attachments to the appropriate agency Program Manager(s) for informational purposes. (The original CAP should remain in the PPA Provider Qualification Officer's (PQO) files while copies should be maintained by each oversight agency PQO for future reference). *Note: A CAP is not required to be forwarded to the OSD Audit Bureau, when it is prepared because a provider failed to meet any one or more of the three primary EOHHS established financial assessment measure thresholds or the provider had earned in excess of 5% in surplus revenue from unit rate contracts.*

Note: Only those CAPs including material non-compliance findings, and any significant deficiencies or material internal control findings must be forwarded to EOHHS and OSD for review and approval.

According to OSD Audit Resolution Policy, Corrective Action Plans must be approved by the provider's Board of Directors and signed by the Board Authorized Signatory. Failure to execute an appropriate Corrective Action Plan constitutes non-compliance with EOHHS

Provider Qualification requirements and may be grounds for State or Federal debarment, exclusion or suspension, as well as contract/Master Agreement termination.

If during the audit resolution process, the provider does not abide by the terms of the CAP or the other agreements, the PPA Audit Liaison, where warranted, will consider converting the provider's qualification status from Qualification with CAP to a Conditional Qualification status or, in extreme circumstances, contract termination and a Rejected Qualification status. Refer to the Section on [Assigning an Annual Qualification Status](#) for more information regarding the Conditional and Rejected Qualification statuses.

Executive Office of Health and Human Services
Purchase of Service Integrity Unit

EOHHS Supplement to the Operational Services Division Audit Resolution Policy

May 2007

The Operational Services Division (OSD) within the Executive Office for Administration and Finance has promulgated an Audit Resolution Policy for Human and Social Services that governs the audit resolution activity by EOHHS purchasing agencies for audits conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Under that policy, the Principal Purchasing Agency (PPA) designated through the annual Provider Qualification process is responsible for resolving audit findings for assigned providers and coordinating the resolution activity with other oversight agencies.

The OSD Audit Bureau functions as a clearinghouse for GAGAS audits conducted by Independent Auditors through the Division's UFR process, the Office of the State Auditor, Federal agencies, and Purchase of Service (POS) audits by EOHHS purchasing agencies. OSD reviews audit reports upon receipt for findings requiring resolution and records the results in the Corrective Action Plan (CAP) tracking report. The POS Integrity Unit notifies the PPA of OSA audits upon receiving a copy of the audit report from the OSA.

The Principal Purchasing Agency (PPA) is responsible for the following functions:

- Referring audit findings to other agencies (e.g., IRS, DOR, Attorney General's Office, State Ethics Commission) for appropriate action and coordinating the resolution of findings involving other purchasing agencies;
- Developing appropriate Corrective Action Plans with the provider (and other parties, when necessary) in a timely manner in conformity with the Audit Resolution Policy and any applicable requirements of Federal agencies or the Office of the State Auditor;
- Filing the Corrective Action Plans with EOHHS / POS and the OSD Audit Bureau, according to the EOHHS Provider Qualification and Audit Resolution policies and procedures;
- Monitoring Corrective Action Plan (CAP) implementation, including any necessary recovery action; and
- Submitting quarterly Audit Resolution Status Reports on audits issued by the Office of the State Auditor (OSA) of EOHHS POS providers to the EOHHS / POS Integrity Unit for all pending resolution activity.

Where significant findings or recovery issues involve multiple agencies, the PPA is responsible for coordinating and scheduling the appropriate inter-agency meetings.

Primary audit resolution oversight responsibility rests with the OSD Audit Bureau. However, EOHHS Secretariat (POS Integrity Unit) involvement should be sought by purchasing agencies in situations where coordination of responses by multiple agencies present problems; or, in

exceptional situations, where the agency is unable to fulfill its audit resolution responsibilities with the requisite degree of competence and independence.

EOHHS agencies are responsible for ensuring that audit resolution activities are conducted by adequately trained individuals meeting the OSD Independence requirements. Where practical, EOHHS / POS encourages purchasing agencies to conduct all audit resolution activity on a centralized basis, utilizing employees free of involvement in routine contract administration activities. In situations involving the potential existence, or appearance, of insufficient independence on the part of agency field staff, resolution on a centralized basis is required. Situations involving the potential impairment of independence on the part of a PPA audit resolution staff member should immediately be brought to the attention of the EOHHS / POS Audit Liaison.

Agencies occasionally encounter situations where providers refuse to execute appropriate Corrective Action Plans or seek to negotiate recovery terms. Agencies should bear in mind that, except in cases of established error on the part of an auditor (e.g., recommended recovery of the same questioned cost twice), agency discretion is limited to terms such as payback time frames rather than modification of recovery amounts computed by the auditor.

In cases involving recovery of cost reimbursement contract payments, agencies must adhere to State Finance Law provisions which in effect mandate full recovery, in cash, to the General Fund rather than alternative "In-Kind Service" recovery arrangements. Where in-kind service recovery arrangements are agreed to for unit rate contracts (at the discretion of the purchasing agency), arrangements must clearly document that the provider is in fact incurring additional delivery costs for the in-kind services which are at least equal to the identified recovery amount and that the support for the services comes entirely from the organization's unrestricted funding sources as offsetting support for state procured services. In addition, in-kind service costs must be defrayed with funds other than Commonwealth funds and offsetting revenue, as designated in the contract. In-kind services may only be delivered to eligible clients of the Department. A written administrative agreement between the purchasing agency and provider must be approved by the authorized signatories of both parties. Additionally, the agreed upon in-kind services must be verified by the purchasing agency after those services have been provided. Any other restrictions established by EOHHS, OSD or Federal funding sources must also be adhered to.

Under the OSD Audit Resolution Policy, Corrective Action Plans must be approved by the provider's Board of Directors and signed by the Board Authorized Signatory. Failure to execute an appropriate Corrective Action Plan constitutes non-compliance with EOHHS Provider Qualification requirements and may be grounds for State or Federal debarment, exclusion or suspension, as well as contract / Master Agreement termination.

ATTACHMENTS - Documentation and Correspondence

Attachment A - Corrective Action Plan (CAP) Form

| CORRECTIVE ACTION PLAN <i>(Provider)</i> | | | | | | | | | |
|---|-----------------------------|--|--|--|--|--|--|--|--|
| PPA: <input type="text"/> | | | | | | | | | |
| FEIN: <input type="text"/> | VEN: <input type="text"/> | PROVIDER: <input type="text"/> | | | CONTACT NAME: <input type="text"/> | | PHONE: <input type="text"/> | | |
| | | | | | CONTACT'S E-MAIL: <input type="text"/> | | FAX: <input type="text"/> | | |
| INVOLVED NON-PPA AGENCIES: <input type="text"/> | | INVOLVED AUDITEE AFFILIATES/RELATED PARTIES: <input type="text"/> | | | | | | | |
| AUDIT INFORMATION: | | Audit Scope Period: <input type="text"/> to <input type="text"/> | | | Date Audit Report Issued: <input type="text"/> | | | | |
| Audit Firm/Agency: <input type="text"/> | | Auditor Contact Name: <input type="text"/> Phone: <input type="text"/> | | | | | | | |
| Audit Type (complete one): <input type="text"/> | UFR: <input type="text"/> | Office of the State Auditor - Audit #: <input type="text"/> | | | Other: <input type="text"/> | | | | |
| Findings (check one): | A-133: <input type="text"/> | Non- A-133: <input type="text"/> | Both A-133 and non-A-133: <input type="text"/> | | EOHHS Review: <input type="text"/> | | Oversight Agency Review: <input type="text"/> | | |
| Audit Findings include (check one): <input type="text"/> | | Internal Control Issues <input type="text"/> | | | Compliance Issues <input type="text"/> | | Both Internal Control & Compliance Issues <input type="text"/> | | |
| Did the Auditor recommend recovery of funds to the Commonwealth? (Y/N) <input type="text"/> | | Recommended Total Recovery Amount: <input type="text"/> | | | | Amount to be Recovered: <input type="text"/> | | | |
| Financial Ratio Issues: | <input type="text"/> | 5% SRR Due? (Y/N) <input type="text"/> | Amount: <input type="text"/> | | Management Letter Items <input type="text"/> | | | | |

(Except as expressly provided by the OSD Audit Resolution Policy, all recommended amounts must be recovered in full. Details of any OSD approved exception must be included as an attachment to the CAP)

| IDENTIFIED ISSUES (Reference specific findings by Number) | CORRECTIVE MEASURES | TIME FRAME | ACTION DEEMED SUCCESSFUL WHEN | MEANS OF EVALUATION | NAME & TITLE OF PERSON RESPONSIBLE FOR THIS ISSUE |
|--|---------------------|------------|-------------------------------|---------------------|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

The terms of this Corrective Action Plan have been reviewed and approved by the Provider's Board of Directors.
The terms of this Corrective Action Plan have been reviewed and approved by the signing Departmental authority or its designee.

The Board of Directors recognizes that contracting qualification approval is contingent upon compliance with the provisions of this plan and that failure to fulfill the agreement provisions in a timely and complete manner may result in contract termination or other action by the Commonwealth.

APPROVED: Provider's Board of Directors Designee's Signature

(Print Name and Title) Designee For the Board of Directors

ACCEPTED: Signature for the Commonwealth of Massachusetts

(Print Name and Title) For the Commonwealth of Massachusetts

Date _____

Date _____

| | |
|-------------------------|--|
| Additional Attachments: | |
| | |

Page: of OSD Acceptance:

Attachment B - Provider Qualification Notice

This is an example of a **Provider Qualification Notice** that will be sent to POS providers via PDM after the organization has been assigned a qualification status by their Principal Purchasing Agency.

The **[Name of Department]** as your designated Executive Office of Health and Human Services Principal Purchasing Agency (PPA), has reviewed your contracting qualification status and determined that **[Provider Name]** be assigned a **[Qualification Status]** for the 20XX fiscal year. This qualification status should be used by your organization for the purpose of entering into human and social services contracts with the Commonwealth.

Please note that this status may be rescinded at any time if evidence emerges that calls this status into question.

If you received one of the following qualification statuses,

Provisional Qualification

Qualification with a CAP

Conditional Qualification

Rejected Qualification

your organization will be contacted by the **[Name of Department]** to determine the next steps.

To view more details regarding your qualification status, please visit the Provider Data Management (PDM) Service at the following link: <https://gateway.hhs.state.ma.us/portal/dt>. Your organization will require a User Name and Password to access the Virtual Gateway website.

If you are unable to do so, you can contact the Virtual Gateway Customer Service at 1-800-421-0938 to obtain the necessary details on how to acquire a User Name and Password. Additionally, so that other state agencies may become aware of the services that your organization provides, please ensure that your organization's provider profile has been entered in PDM and that the information posted is both accurate and current.

Thank you for your time and cooperation during this qualification process.

Attachment C-1 Preliminary CAP Letter - UFR

This is an example of a ***preliminary CAP letter*** from the PPA to the provider alerting them that a revised CAP will be required based on a review of the organization's Uniform Financial Statements and Independent Auditor's Report (UFR) as part of the provider's annual qualification process.

Date:

Name of Contact Person, (Executive Director, CFO)

Name of Organization:

Street Address of the Organization:

City, State, Zip Code:

Dear Mr. / Ms. _____ :

The [Name of Department] as your designated Executive Office of Health and Human Services Principal Purchasing Agency (PPA), has reviewed your contracting qualification status and determined that the execution of a revised Corrective Action Plan (CAP) is required for the following reason(s).

[List the deficiencies and/or reasons for what should be added to the CAP / PPA Comments Section in PDM] Or Attach a copy of the Schedule of Findings and Questioned Costs, if applicable. If a material weakness or significant deficiency is reported in the UFR, it should be recorded in this letter and respective CAP Form.

The development of an appropriate Corrective Action Plan is the responsibility of the provider since it should reflect the organization's own strategy for addressing identified issues. However, the terms of the final agreement must be approved by the Principal Purchasing Agency (PPA). EOHHS policy also requires that the CAP be signed by a Board authorized signatory for your organization and that it include a statement confirming that it has been reviewed and approved by the organization's Board of Directors. We suggest that, in order to avoid possible confusion or delay, you contact us with proposed corrective measures and language **prior** to seeking Board approval.

It is essential that the CAP be finalized within 45 calendar days from the date of this letter so that this agency can certify your organization's eligibility to engage in FY20XX procurement activities with EOHHS agencies.

Since the timely document preparation and submission is also a key element of the current year contracting requirements, procurement policy also provides for current contract year procurement restrictions and penalties as follows:

Unless the Corrective Action Plan is completed to the satisfaction of the [Name of Department] within 45 calendar days from the date of this letter, the [Name of Department] and all other EOHHS purchasing agencies contracting with your organization for human and social services shall take the following action effective on or after the expiration of the 45 day period:

-
1. Your organization may be ineligible to bid for or receive contract awards or increases for procurement covered by the Commonwealth's Terms and Conditions for Human and Social Services until the matter is satisfactorily corrected.
 2. Pursuant to Section 2 of the Terms and Conditions for Human and Social Services and 808 CMR 1.04 (3) & (11), payment(s) may be delayed until the matter is satisfactorily corrected or such other action is taken in accordance with the Terms and Conditions for Human and Social Services.

Commencement of this action will not prejudice the rights of the Commonwealth to terminate any of its agreements with your agency without cause, or for any other reason specified in the Terms and Conditions for Human and Social Services.

Please contact _____ at _____ or _____ e-mail address at _____ immediately if you have any questions regarding either this letter or the Corrective Action Plan requirements.

Sincerely,

[This letter should be signed by an authorized signatory for the PPA]

Cc: PPA Program Manager(s)
Other Contracting EOHHS Purchasing Agency - PQ Liaisons

Attachment C-2 Preliminary CAP Letter - Ratios

This is an example of a ***preliminary CAP letter*** from the PPA to the provider alerting them that a CAP will be required based on a review of the organization's Financial Assessment Measures, Management Letter, or other concerns noted during the annual qualification process.

Date:

Name of Contact Person, (Executive Director, CFO)

Name of Organization:

Street Address of the Organization:

City, State, Zip Code:

Dear Mr. / Ms. _____ :

The [Name of Department] as your designated Executive Office of Health and Human Services Principal Purchasing Agency (PPA), has reviewed your contracting qualification status and has determined that execution of a Corrective Action Plan (CAP) is required for the following reason(s).

[List the deficient financial assessment measures and/or other concerns reported in the Management Letter and Notes to the Financial Statements and noted in the CAP / PPA Comments Section in PDM].

[Statement of Problem – If a draft document has already been submitted but was inadequate for some reason, the above language should be rephrased as needed].

The development of an appropriate Corrective Action Plan is the responsibility of the provider since it should reflect the organization's own strategy for addressing identified issues. However, the terms of the final agreement must be approved by the Principal Purchasing Agency (PPA). EOHHS policy also requires that the CAP be signed by a Board authorized signatory for your organization and that it include a statement confirming that it has been reviewed and approved by the organization's Board of Directors. We suggest that, in order to avoid possible confusion or delay, you contact us with proposed corrective measures and language **prior** to seeking your Board's final approval.

Enclosed for your convenience is a Corrective Action Plan which lists the deficiencies identified during our review of your organization's financial assessment measures against those thresholds established by the EOHHS for the period July 1, 20XX through June 30, 20XX. Please ensure that you complete the CAP Administrative information and the following columns to include: a summary of the Corrective Measures, Time Frame, Action Deemed Successful When, Means of Evaluation, and the Name and Title of the Person Responsible for each deficiency, as required. Please include any other documentation that is relevant to the above.

It is essential that the CAP be finalized within 45 calendar days from the date of this letter so that this agency can certify your organization's eligibility to engage in FY20XX procurement activities with EOHHS agencies.

Since the timely document preparation and submission is also a key element of the current year contracting requirements, procurement policy also provides for current contract year procurement restrictions and penalties as follows:

Unless the Corrective Action Plan is completed to the satisfaction of the [Name of Department] within 45 calendar days from the date of this letter, the [Name of Department] and all other EOHHS purchasing agencies contracting with your organization for human and social services shall take the following action effective on or after the expiration of the 45 day period:

Your organization may be ineligible to bid for or receive contract awards or increases for procurement covered by the Commonwealth's Terms and Conditions for Human and Social Services until the matter is satisfactorily corrected.

Commencement of this action will not prejudice the rights of the Commonwealth to terminate any of its agreements with your agency without cause, or for any other reason specified in the Terms and Conditions for Human and Social Services.

Please contact _____ at _____ or _____ e-mail address at _____ immediately if you have any questions regarding either this letter or the Corrective Action Plan requirements.

Sincerely,

[This letter should be signed by an authorized signatory for the PPA]

Cc: PPA Program Manager(s)
Other Contracting EOHHS Purchasing Agency – PQ Liaisons

Preliminary CAP Letter - Other Concerns Rev 082208

Attachment D-1 Independent Auditor's Report – Unqualified Opinion Letter

Certified Public Accounts Name
Certified Public Accountants
Street Address
City, State, Zip Code
Tel: (xxx)xxx-xxxx **Fax:** (xxx) xxx-xxxx

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
XYZ Corporation
Street Address
City, State, Zip Code

We have audited the accompanying consolidated statement of financial position of XYZ Corporation, Inc. and Subsidiary (a nonprofit corporation) (collectively, the Organization) as of June 30, 20XX, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 20XX consolidated financial statements and, in our report dated November 13, 20XX; we express an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of XYZ Corporation, Inc. and Subsidiary as of June 30, 20XX, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 20XX on our consideration of XYZ Corporation, Inc. and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying supplementary information included in program supplemental information schedule A and B and its related attachment is presented solely for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is a representation of the Organization's management and has not been subject to the auditing procedures applied in the audit of the basic consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance concerning whether it is fairly stated in relation to the basic consolidated financial statement taken as a whole.

Company Name
Certified Public Accountants
Boston, Massachusetts
Date

Attachment D-2 Independent Auditor's Report – Qualified Opinion Letter

QUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY SUPPLEMENTARY INFORMATION INDEPENDENT AUDITORS' REPORT

The Board of Trustees
XYZ Corporation
Street Address
City, State, Zip Code

We have audited the accompanying statement of financial position of XYZ Corporation (not-for-profit organization) as of June 30, 20XX and the related statements of activities and functional expenses and the statement of cash flows for the year then ended. These financial statements are the responsibility of the management of XYZ Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of The United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 5 to the financial statements, certain improvements to and replacements of property and equipment have been charged to expense in the accompanying financial statements. Also, only certain expenditures, as required by grantor agencies, have been capitalized. In our opinion, all capital expenditures should be capitalized and depreciated over their estimated useful lives to conform to accounting principles generally accepted in the United States. The effects on the financial statements of the preceding practices are not reasonably determinable.

In our opinion, except for the effects of the matters in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the XYZ Corporation as of June 30, 20XX and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Attachment D-3 Independent Auditor's Report - Adverse Opinion Letter

The Board of Trustees
XYZ Corporation
Street Address
City, State, Zip Code

[Same first and second paragraphs as the standard report]

As discussed in Note X to the financial statements, the Company carries its property, plant, and equipment accounts at appraisal values, and provides depreciation on the basis of such values. Further, the Company does not provide for income taxes for differences between financial income and taxable income arising because of the use, for income tax purposes, of the installment method of reporting gross profit from certain type of sales. Accounting principles generally accepted in the United States of America require that property, plant, and equipment be stated at an amount not in excess of cost, reduced by depreciation based on such amount, and that deferred income taxes be provided.

Because of the departures from accounting principles generally accepted in the United States of America identified above, as of December 31, 20XX and 20XX, inventories have been increased \$_____ and \$_____ by inclusion in manufacturing overhead of depreciation in excess of that based on cost; property, plant, and equipment, less accumulated depreciation, is carried at \$_____ and \$_____ in excess of an amount based on the cost to the Company; deferred income taxes of \$_____ and \$_____ have not been recorded; resulting in an increase of \$_____ and \$_____ in retained earnings and in appraisal surplus of \$_____ and \$_____, respectively. For the years ended December 31, 20XX and 20XX, cost of goods sold has been increased \$_____ and \$_____, respectively, because of the effects of the depreciation accounting referred to above and deferred income taxes of \$_____ and \$_____ have not been provided, resulting in an increase in net income of \$_____ and \$_____, respectively.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of X Company as of December 31, 20XX and 20XX, or the results of its operations or its cash flows for the years then ended.

Attachment D-4 Independent Auditor's Report - Disclaimer of Opinion Letter

The Board of Trustees
XYZ Corporation
Street Address
City, State, Zip Code

We were engaged to audit the accompanying balance sheets of the ABC Company as of December 31, 20XX and 20XX, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management.

[Second paragraph of standard report should be omitted]

The Company did not make a count of its physical inventory in 20XX or 20XX, stated in the accompanying financial statements at \$_____ as of December 31, 20XX, and at \$_____ as of December 31, 20XX. Further, evidence supporting the cost of property and equipment acquired prior to December 31, 20XX, is no longer available. The Company's records and circumstances do not permit the application of other auditing procedures to inventories or property and equipment.

Since the Company did not take physical inventories and we were not able to apply other auditing procedures to satisfy ourselves as to inventory quantities and the cost of property and equipment, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

Attachment D-5 Independent Auditor's Report - Going Concern Opinion

To the Board of Directors
XYZ Corporation
Street Address
City, State, Zip Code

We have audited the accompanying statements of financial position of XYZ Corporation (a nonprofit organization) as of September 30, 20XX and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the XYZ Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the XYZ Corporation as of September 30, 20XX and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 6 and 7 to the financial statements, the Organization has incurred losses due to employee misappropriation and expenditures for unallowable and questioned costs. Additionally, we have listed and identified a significant number of material weaknesses and reportable conditions in the systems of internal control. These concerns raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 20XX, on our consideration of XYZ Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of XYZ Corporation taken as a whole. The accompanying supplemental Schedules A and B are presented solely for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the misrepresentation of XYZ Corporation's management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion on it.

February 10, 20XX
Boston, Massachusetts

Attachment D-6 Independent Auditor's Report - Compilation Letter

Standard Report: Compilation of Forecast (does not contain a range)

The Board of Trustees
XYZ Corporation
Street Address
City, State, Zip Code

We have compiled the accompanying forecasted balance sheet, statements of income, retained earnings, and cash flows of XYZ Company as of December 31, 20XX, and for the year then ending, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of forecast information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast, and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events, and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

[Signature]

[Date]

Attachment D-7 Independent Auditor's Report - Review Letter

Company Name
Certified Public Accountant
Street Address
City, State, Zip Code
Tel: (xxx) xxx-xxxx
Fax: (xxx) xxx-xxxx

ACCOUNTANTS REVIEW REPORT

The Board of Trustees
XYZ Corporation
Street Address
City, State, Zip Code

We have reviewed the accompanying statement of financial position of XYZ Corporation (a non-profit organization) as of June 30, 20XX and the related statements of activities, functional expenses, and cash flow for the year then ended in accordance with Statements on Standard for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The supplementary information included in Schedules A and B is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the representation of XYZ Corporation management and has not been subjected to the inquiries and procedures applied in the review of the basic financial statements, and accordingly, we do not express an opinion on it.

Date
Company Name
Certified Public Accountants

Attachment E-1 Final Qualification with a CAP Letter

This is an example of a final Qualified with a CAP Letter from the PPA to the provider alerting them of their annual qualification status. The provider is considered qualified to do business with the Commonwealth subject to the terms and deadlines set forth for the implementation of a corrective action plan.

Date:

Name of the Contact Person (Executive Director, CFO)

Organization Name

Street Address

City, State, Zip Code

Dear Mr. / Ms. _____:

The [Name of Department] as your designated Executive Office of Health and Human Services Principal Purchasing Agency (PPA), has reviewed your contracting qualification status and determined that your organization be **Qualified with a Corrective Action Plan (CAP)** for the 20XX fiscal year. This qualification status should be used by your organization for the purpose of entering into human and social services contracts with the Commonwealth.

Please note that this status may be rescinded at any time if evidence emerges that calls this status into question.

Enclosed is a copy of your Corrective Action Plan signed by both your organization's Board authorized signatory and by a representative of this Department.

Please review the corrective measures, and the applicable time frames for completion, in order to remain in compliance with the CAP.

Please contact _____ at _____ or _____
e-mail address at _____ if you have any questions regarding this qualification status.

Thank you for your time and cooperation during this qualification process.

Sincerely,

[This letter should be signed by an authorized signatory for the PPA]

Cc: PPA Program Manager(s)

Other Contracting EOHHS Purchasing Agency – PQ Liaisons

Final Qualified with a CAP Letter Rev 080408

Attachment E-2 Final Conditional Qualification with a CAP Letter

*This is an example of a **final Conditional Qualification with a CAP Letter** from the PPA to the provider alerting them of their annual qualification status. Due to information contained in the provider's audit (UFR) or other information developed by the PPA review, it appears that the organization is not financially and/or administratively qualified to do business with the Commonwealth.*

However, where the PPA (in consultation with other secondary purchasing agencies) has determined that the best interests of the Commonwealth and its clients warrant continued contracting with the provider, despite the deficiencies, and where the provider is willing to deliver the terms of the corrective action plan and all additional contracting conditions set forth by EOHHS and the PPA, the provider may be Conditionally Qualified.

Date:

Name of the Contact Person (Executive Director, CFO)

Organization Name

Street Address

City, State, Zip Code

Dear Mr. / Ms. _____:

The [Name of Department] as your designated Executive Office of Health and Human Services Principal Purchasing Agency (PPA), has reviewed your contracting qualification status and determined that your organization be assigned a **Conditional Qualification** status for the 20XX fiscal year. This qualification status should be used by your organization for the purpose of entering into human and social services contracts with the Commonwealth.

Please note that this status may be rescinded at any time if evidence emerges that calls this status into question.

Enclosed is a copy of your Corrective Action Plan (CAP) signed by both your organization's Board authorized signatory and by a representative of this Department.

Please review the corrective measures, and the applicable time frames for completion, in order to remain in compliance with the CAP. By signing this CAP, "The Board of Directors recognizes that contracting qualification approval is contingent upon compliance with the provisions of this plan and that failure to fulfill the agreement provisions in a timely and complete manner may result in contract termination or other action by the Commonwealth."

In addition to the CAP requirements and because the imposition of non-compliance penalties are warranted, the following conditions apply to your organization:

- The provider must authorize its auditor to communicate freely with the Commonwealth regarding the results of the audit and the ongoing financial/organizational situation should the Commonwealth see a need to consult with the auditor.
- The provider must agree to provide prior notice to EOHHS purchasing agencies, through the PPA Provider Qualification Officer, of any intent to bid on POS services (including acceptance of non-competitive awards, expansion of "MSA/Open Order"

procurement, or participation in subcontracting or consortium/joint venture arrangements). The proposed procurement must not entail significant expansion.

- The provider must give prior notice to the PPA Provider Qualification Officer of any significant changes in circumstances bearing on its financial stability or ability to fulfill its contractual obligations. Such changes include, but are not limited to, pending bankruptcy filing, merger, consolidation, senior management changes or other business restructuring, termination of contracts, grants or other significant revenue streams, loss or reduction of credit lines, or failure to meet payroll or other essential payment obligations.
- EOHHS purchasing agency contracts with the provider shall be limited to durations which do not exceed the Conditional Qualification duration.

Please contact _____ at _____ or _____
e-mail address at _____ if you have any questions regarding this qualification status.

Thank you for your time and cooperation during this qualification process.

Sincerely,

[This letter should be signed by an authorized signatory for the PPA]

Cc: PPA Program Manager(s)
Other Contracting EOHHS Purchasing Agency – PQ Liaisons
Provider Board of Directors
Provider CPA Firm

Attachment E-3 Final Conditional Qualification - Other Letter

*This is an example of a **final Conditional Qualification - Other Letter** from the PPA to the provider alerting them of their annual qualification status. Due to information contained in the provider's audit (UFR) or other information developed by the PPA review, it appears that the organization is not financially and/or administratively qualified to do business with the Commonwealth.*

However, where the PPA (in consultation with other secondary purchasing agencies) has determined that the best interests of the Commonwealth and its clients warrant continued contracting with the provider, despite the deficiencies, and where the provider is willing to deliver the terms of the corrective action plan and all additional contracting conditions set forth by EOHHS and the PPA, the provider may be Conditionally Qualified.

Date:

Name of the Contact Person (Executive Director, CFO)

Organization Name

Street Address

City, State, Zip Code

Dear Mr. / Ms. _____:

The [Name of Department] as your designated Executive Office of Health and Human Services Principal Purchasing Agency (PPA), has reviewed your contracting qualification status and determined that your organization be assigned a **Conditional Qualification** status for the 20XX fiscal year. This qualification status should be used by your organization for the purpose of entering into human and social services contracts with the Commonwealth.

Your organization was assigned a Conditional Qualification status for the following reasons:

[List reasons noted in the PPA Comments Section in PDM]

Please note that this status may be rescinded at any time if evidence emerges that calls this status into question.

Unless the above described matters are corrected to the satisfaction of the [Name of Department] within 45 calendar days from the date of this letter, the [Name of Department] and all other EOHHS purchasing agencies contracting with your organization for human and social services shall take the following action effective on or after the expiration of the 45 day period:

Your organization may be ineligible to bid for or receive contract awards or increases for procurement covered by the Commonwealth's Terms and Conditions for Human and Social Services until the matter is satisfactorily corrected.

Commencement of this action will not prejudice the rights of the Commonwealth to terminate any of its agreements with your agency without cause, or for any other reason specified in the Terms and Conditions for Human and Social Services.

In addition to the above described matters and because the imposition of non-compliance penalties are warranted, the following conditions apply to your organization:

- The provider must authorize its auditor to communicate freely with the Commonwealth regarding the results of the audit and the ongoing financial/organizational situation should the Commonwealth see a need to consult with the auditor.
- The provider must agree to provide prior notice to EOHHS purchasing agencies, through the PPA Provider Qualification Officer, of any intent to bid on POS services (including acceptance of non-competitive awards, expansion of “MSA/Open Order” procurement, or participation in subcontracting or consortium/joint venture arrangements). The proposed procurement must not entail significant expansion.
- The provider must give prior notice to the PPA Provider Qualification Officer of any significant changes in circumstances bearing on its financial stability or ability to fulfill its contractual obligations. Such changes include, but are not limited to, pending bankruptcy filing, merger, consolidation, senior management changes or other business restructuring, termination of contracts, grants or other significant revenue streams, loss or reduction of credit lines, or failure to meet payroll or other essential payment obligations.
- EOHHS purchasing agency contracts with the provider shall be limited to durations which do not exceed the Conditional Qualification duration.

Please contact _____ at _____ or _____
e-mail address at _____ if you have any questions regarding this qualification status.

Thank you for your time and cooperation during this qualification process.
Sincerely,

[This letter should be signed by an authorized signatory for the PPA]

Cc: PPA Program Manager(s)
Other Contracting EOHHS Purchasing Agency – PQ Liaisons
Provider Board of Directors
Provider CPA Firm

Attachment E-4 Provisional Qualification Letter

The provider qualification status is pending due to the organization's failure to complete one or more of the qualification submission requirements and the provider is being afforded additional time to fulfill the requirements.

The Provisional Qualification status and any Commonwealth contracts with the provider shall be for a period not to exceed three months. For Re-qualifying providers, the three month contract duration limit applies to the coming re-qualification contract year, rather than the current year.

Date:

Name of the Contact Person (Executive Director, CFO)

Organization Name

Street Address

City, State, Zip Code

Dear Mr. / Ms. _____:

The [Name of Department] as your designated Executive Office of Health and Human Services Principal Purchasing Agency (PPA), has reviewed your contracting qualification status and determined that your organization be assigned a **Provisional Qualification** status for the 20XX fiscal year. This temporary status allows your organization to enter into human and social services contracts with the Commonwealth, **for a period not to exceed three months, through September 30, 20XX**. All filing requirements must be completed as of this date.

The inability of your organization to complete the annual filing requirements with the Operational Services Division, and if applicable, a Corrective Action Plan with this Department, may result in a Conditional Qualification Status or in some circumstances, contract termination pursuant to the Terms and Conditions for Human and Social Services provisions.

Please note that this status may be rescinded at any time if evidence emerges that calls this status into question.

Please contact _____ at _____ or _____ e-mail address at _____ if you have any questions regarding this qualification status.

Thank you for your time and cooperation during this qualification process.

Sincerely,

[This letter should be signed by an authorized signatory for the PPA]

Cc: PPA Program Manager(s)

Other Contracting EOHHS Purchasing Agency – PQ Liaisons

Provisional Qualification Letter AO 080408

Attachment E-5 Rejected Qualification Letter

*The provider is **NOT** considered qualified to do business with the Commonwealth. The provider failed to meet the established criteria for qualification (e.g., an adverse or disclaimer audit opinion has been issued or a going concern opinion has been issued for consecutive years and there has not been any significant improvement in the organization's condition) and/or the provider fails to meet the majority of satisfactory financial condition criteria and problems are so severe and long standing that it is not in the best interests of the Commonwealth to do business with the provider.*

Date:

Name of the Contact Person (Executive Director, CFO)

Organization Name

Street Address

City, State, Zip Code

Dear Mr. / Ms. _____:

The [Name of Department] as your designated Executive Office of Health and Human Services Principal Purchasing Agency (PPA), has reviewed your contracting qualification status and determined that your organization be assigned a **Rejected Qualification** status for the 20XX fiscal year. This qualification status makes your organization ineligible to enter into human and social services contracts with the Commonwealth during the period July 1, 20XX through June 30, 20XX.

Your organization was assigned a Rejected Qualification status for the following reasons:

[List reasons noted in the PPA Comments Section in PDM]

Please note that this status may be rescinded at any time if evidence emerges that calls this status into question.

Please contact _____ at _____ or _____ e-mail address at _____ if you have any questions regarding this qualification status.

Sincerely,

[This letter should be signed by an authorized signatory for the PPA]

Cc: PPA Program Manager(s)

Other Contracting EOHHS Purchasing Agency – PQ Liaisons

Attachment E-6 Unconditional Qualification Letter

The provider is considered financially and administratively qualified to do business with the Commonwealth for the upcoming fiscal year (or the upcoming contract period, if it is less than a full year). There are no procurement restrictions imposed.

Date:

Name of the Contact Person (Executive Director, CFO)

Organization Name

Street Address

City, State, Zip Code

Dear Mr. / Ms. _____:

The [Name of Department] as your designated Executive Office of Health and Human Services Principal Purchasing Agency (PPA), has reviewed your contracting qualification status and determined that your organization be assigned an **Unconditional Qualification** status for the 20XX fiscal year. This qualification status should be used by your organization for the purpose of entering into human and social services contracts with the Commonwealth.

Please note that this status may be rescinded at any time if evidence emerges that calls this status into question.

Please contact _____ at _____ or _____ e-mail address at _____ if you have any questions regarding this qualification status.

Thank you for your time and cooperation during this qualification process.

Sincerely,

Attachment E-7 Limited Qualification Letter

The provider is considered qualified to do limited business with the Commonwealth for the upcoming fiscal year (or the upcoming contract period, if it is less than a full year).

Date:

Name of the Contact Person (Executive Director, CFO)

Organization Name:

Street Address:

City, State, Zip Code:

Dear Mr. / Ms. _____:

The [Name of Department] as your designated Executive Office of Health and Human Services Principal Purchasing Agency (PPA), has reviewed your contracting qualification status and determined that your organization be assigned a **Limited Qualification** status for the 20XX fiscal year. This qualification status should be used by your organization for the purpose of entering into human and social services contracts with the Commonwealth.

Please note that this status may be rescinded at any time if evidence emerges that calls this status into question.

Please contact _____ at _____ or _____
e-mail address at _____ if you have any questions regarding this qualification status.

Thank you for your time and cooperation during this qualification process.

Sincerely,

Attachment E-8 Exempt Qualification Letter

The provider is a governmental agency, city, town municipality, local education authority, or regional school district considered financially and administratively qualified to do business with the Commonwealth for the upcoming fiscal year (or the upcoming contract period, if it is less than a full year). There are no procurement restrictions imposed.

Date:

Name of the Contact Person (Executive Director, CFO)

Organization Name

Street Address

City, State, Zip Code

Dear Mr. / Ms. _____:

The [Name of Department] as your designated Executive Office of Health and Human Services Principal Purchasing Agency (PPA), has reviewed your contracting qualification status and determined that your organization be assigned an **Exempt Qualification** status for the 20XX fiscal year. This qualification status should be used by your organization for the purpose of entering into human and social services contracts with the Commonwealth.

Please note that this status may be rescinded at any time if evidence emerges that calls this status into question.

Please contact _____ at _____ or _____ e-mail address at _____ if you have any questions regarding this qualification status.

Thank you for your time and cooperation during this qualification process.

Sincerely,

Attachment F - Summary of Audit Findings

XYZ Corporation Summary of Audit Findings July 1, 20XX through June 30, 20XX

The audit revealed over \$114,000 in unallowable, unnecessary, and questionable costs.

1. Inadequate Internal Controls Over Payroll Expenses

- Four staff members, including the Executive Director, received \$7,469 in excessive compensation;
- Accrued paid leave balances (e.g. accrued vacation time) for staff members were not being maintained or updated by the XYZ Corp. for over 18 months; and
- XYZ did not remit approximately \$13,500 in payroll taxes for 20 employees.

2. Inadequately Documented and Unallowable Costs Totaling at Least \$35,661

- ZYZ had no documentation to substantiate \$6,041 in credit card expenses that it charged against state contracts;
- XYZ had inadequate documentation to support \$6,618 for program supplies that were charged to state contracts;
- XYZ had no documentation to support \$2,413 for office supplies invoiced to the state;
- XYZ had inadequate documentation to support \$4,043 in travel expenses that were charged to the state;
- XYZ had inadequate support for \$900 in reimbursable gas expenses;
- XYZ charged against cost reimbursement contracts \$13,250 in costs that it did not incur;
- XYZ charged the state \$1,243 in interest costs related to the late payment of payroll and property taxes; and
- XYZ charged \$1,153 in non-state funded program activities to state contracts.

3. Inadequate Controls Over Contract Administration

- XYZ did not obtain competitive bids for \$17,190 in construction projects. These costs include the following:
 - i. XYZ did not have any invoices to substantiate \$8,045 paid to a carpenter who performed work on a time-and material basis;
 - ii. XYZ had no support for \$1,064.75 in building materials; and
 - iii. XYZ obtained no competitive bids and had no written contract for the installation of an \$8,080 septic system.
 - iv. XYZ did not issue an income information Form 1099 to a consultant who provided \$2,500 in consultant services during the 20XX calendar year.

4. Questionable Management Practices

- Staff medical insurance coverage lapsed for a five-month period without the staffs' knowledge;

- XYZ paid \$3,900 in interest costs to the Department of Revenue (DOR) for not paying payroll taxes in accordance with DOR regulations; and
- XYZ provided \$10,364 in non-interest bearing loans to employees, including the Executive Director, despite significant cash flow problems.

5. Questionable Administrative Activities Relative to \$32,600 in Grants and Donations

- XYZ received grants totaling \$14,600 for two of its state funded programs, however, it did not identify these funds as offsetting revenue to the state's costs of operating these programs;
- XYZ received a \$15,000 donation from the ABC Foundation to buy furniture and equipment for its Safe Passages Program, but did not use these funds for this purpose; and
- XYZ had no documentation relative to two other FY2006 grants/donations totaling \$3,000.

6. Unallowable Fringe Benefits Totaling at least \$3,688

- XYZ staff, including the Executive Director, was provided \$3,688 in fringe benefits in excess of that allowed by personnel policies. These costs included the following:
 - i. Unallowable employee severance pay totaling \$2,016;
 - ii. Excessive dental insurance premiums totaling \$908; and
 - iii. Excessive health insurance premiums totaling \$764.

7. Inadequate Internal Controls Over Certain Aspects of the XYZ Operations

- XYZ did not develop written accounting policies and procedures or an accounting manual;
- XYZ did not use monthly expense budgets to monitor and evaluate its operations; and
- XYZ did not perform monthly reconciliations of its bank accounts or its general ledger revenue accounts.

Additionally, XYZ charged \$6,194 in depreciation expenses to state contracts on donated and state purchased assets, contrary to state regulations.

Attachment G - Summary of Questioned & Disallowed State Contract Costs by Department

| Attachment I - XYZ Corporation | | | | | | | | | | | | | | |
|--|----------------------|---------------------|---------------------|-------------------------------------|--------------------------|-------------|---------------------|--------------------|------------------------|--------------------------|---------------------|--------------------|-------------|------------------------|
| Summary of Questioned & Disallowed State Contract Costs by Department | | | | | | | | | | | | | | |
| July 1, 200X - June 30, 200X | | | | | | | | | | | | | | |
| Audit Finding | Finding Amount | Questioned Costs | Disallowed Costs | Total Questioned & Disallowed Costs | Questioned Program Costs | | | Non-State | Total Questioned Costs | Disallowed Program Costs | | | Non-State | Total Disallowed Costs |
| | | | | | DPH | DTA | DSS | | | DPH | DTA | DSS | | |
| 1. Inadequate I/C Over Payroll - \$20,969 | | | | | | | | | | | | | | |
| Excessive Payroll Compensation | \$ 7,469.00 | | \$ 7,469.00 | \$ 7,469.00 | | | | | | \$ 1,231.00 | \$ 2,461.00 | | | \$ 3,692.00 |
| Unpaid Payroll Taxes \$13,500 (Non-Questioned Costs) | | | | | | | | | | \$ 2,610.00 | \$ 1,167.00 | | | \$ 3,777.00 |
| 2. Inadequately Documented & Unallowable Costs - \$35,661 | | | | | | | | | | | | | | |
| Undocumented Credit Card Expenses | \$ 6,041.00 | | \$ 5,690.00 | \$ 5,690.00 | | | | | | \$ 4,646.00 | \$ 1,044.00 | | | \$ 5,690.00 |
| | | \$ 35.00 | \$ 316.00 | \$ 351.00 | | | | \$ 35.00 | \$ 35.00 | \$ 151.00 | \$ 116.00 | \$ 49.00 | | \$ 316.00 |
| Inadequately Documented Program Supplies | \$ 6,618.00 | | \$ 6,618.00 | \$ 6,618.00 | | | | | | \$ 3,177.00 | \$ 2,647.00 | \$ 794.00 | | \$ 6,618.00 |
| Undocumented Office Supplies | \$ 2,413.00 | \$ 241.00 | \$ 2,172.00 | \$ 2,413.00 | | | | \$ 241.00 | \$ 241.00 | \$ 1,038.00 | \$ 796.00 | \$ 338.00 | | \$ 2,172.00 |
| Inadequate Travel Documentation | \$ 4,043.00 | | \$ 4,043.00 | \$ 4,043.00 | | | | | | \$ 2,378.00 | \$ 1,031.00 | \$ 634.00 | | \$ 4,043.00 |
| Inadequately Documented Gas Reimbursement | \$ 900.00 | | \$ 900.00 | \$ 900.00 | | | | | | \$ 900.00 | | | | \$ 900.00 |
| Unincurred Contract Expenses * | \$ 13,250.00 | | \$ 13,250.00 | \$ 13,250.00 | | | | | | \$ 4,280.00 | \$ 6,550.00 | \$ 2,420.00 | | \$ 13,250.00 |
| Interest Costs Related to Late Payment of Taxes | \$ 1,243.00 | | \$ 478.00 | \$ 478.00 | | | | | | \$ 478.00 | | | | \$ 478.00 |
| | | \$ 77.00 | \$ 688.00 | \$ 765.00 | | | | \$ 77.00 | \$ 77.00 | \$ 329.00 | \$ 252.00 | \$ 107.00 | | \$ 688.00 |
| Non-State Funded Program Activities | \$ 1,153.00 | | \$ 1,153.00 | \$ 1,153.00 | | | | | | | \$ 567.00 | \$ 586.00 | | \$ 1,153.00 |
| 3. Inadequate Controls Over Contract Administration (Non-Competitive Construction Project Bids - \$17,190) | | | | | | | | | | | | | | |
| Undocumented Carpentry Expenses * | \$ 8,045.00 | \$ 8,045.00 | | \$ 8,045.00 | \$ 8,045.00 | | | | \$ 8,045.00 | | | | | |
| Undocumented XYZ Building Materials | \$ 1,065.00 | \$ 1,065.00 | | \$ 1,065.00 | \$ 1,065.00 | | | | \$ 1,065.00 | | | | | |
| Non-Competitive & Informal Septic System Installation Contract | \$ 8,080.00 | \$ 8,080.00 | | \$ 8,080.00 | \$ 8,080.00 | | | | \$ 8,080.00 | | | | | |
| 4. Questionable Management Practices | | | | | | | | | | | | | | |
| Payroll Interest Costs Paid to the Dept. of Revenue (These costs Were Not Charged to State Contracts) | \$ 3,900.00 | \$ 3,900.00 | | \$ 3,900.00 | | | | \$ 3,900.00 | \$ 3,900.00 | | | | | |
| 5. Ques. Admin. Activities Re: \$32,600 in Grants & Donations | | | | | | | | | | | | | | |
| Questionable Application of Restricted United Way Grant | \$ 7,600.00 | | \$ 7,600.00 | \$ 7,600.00 | | | | | | \$ 1,100.00 | \$ 6,500.00 | | | \$ 7,600.00 |
| Questionable Application of Restricted Project Bread Grant | \$ 7,000.00 | | \$ 7,000.00 | \$ 7,000.00 | | | | | | \$ 5,500.00 | \$ 1,500.00 | | | \$ 7,000.00 |
| Questionable Application of Restricted ABC Foundation Grant | \$ 15,000.00 | \$ 15,000.00 | | \$ 15,000.00 | | | \$ 15,000.00 | | \$ 15,000.00 | | | | | |
| Undocumented Grants and Donations (Bank - \$2,500 & Electric Co. \$500) | \$ 3,000.00 | \$ 3,000.00 | | \$ 3,000.00 | | | | \$ 3,000.00 | \$ 3,000.00 | | | | | |
| 6. Unallowable Fringe Benefits Totaling at Least \$3,688 | | | | | | | | | | | | | | |
| Unallowable Employee Severance Pay (One Employee for Up to 7 Weeks Pay After Termination) | \$ 2,016.00 | | \$ 2,016.00 | \$ 2,016.00 | | | | | | | \$ 2,016.00 | | | \$ 2,016.00 |
| Excessive Dental Insurance Premiums (One Employee for Up to 6 Months After Termination) | \$ 688.00 | \$ 36.00 | \$ 652.00 | \$ 688.00 | | | | \$ 36.00 | \$ 36.00 | \$ 303.00 | \$ 233.00 | \$ 116.00 | | \$ 652.00 |
| Excessive Health Insurance Premiums (Two Employees for Up to 4 Months After Termination) | \$ 764.00 | \$ 40.00 | \$ 724.00 | \$ 764.00 | | | | \$ 40.00 | \$ 40.00 | \$ 336.00 | \$ 259.00 | \$ 129.00 | | \$ 724.00 |
| 7. Inadequate Intrn'l Cntrls Over Certain Aspects of Operations | | | | | | | | | | | | | | |
| Unallowable Deprec Charges on State Purchased & Donated Assets | \$ 6,194.00 | \$ 90.00 | \$ 6,104.00 | \$ 6,194.00 | | | | \$ 90.00 | \$ 90.00 | \$ 482.00 | \$ 4,297.00 | \$ 1,325.00 | | \$ 6,104.00 |
| Total Questioned / Disallowed Costs | \$ 106,482.00 | \$ 39,609.00 | \$ 66,873.00 | \$ 106,482.00 | \$ 17,190.00 | \$ - | \$ 15,000.00 | \$ 7,419.00 | \$ 39,609.00 | \$ 28,939.00 | \$ 31,436.00 | \$ 6,498.00 | \$ - | \$ 66,873.00 |
| * = The \$8,045 in Undocumented Carpentry Expenses was Questioned Twice in the Audit Report Increasing Total Questioned & Disallowed Costs to \$114,527. | | | | | | | | | | | | | | |
| Summary of Questioned and Disallowed State Contract Costs - Example | | | | | | | | | | | | | | |

Attachment H - Audit Resolution Repayment Agreement

An Audit Resolution Repayment Agreement (ARRA) is an agreement between the PPA and the Provider that stipulates how disallowed costs will be reimbursed to the PPA as the result of an audit.

AUDIT RESOLUTION REPAYMENT AGREEMENT

This Repayment Agreement is entered into by the Commonwealth of Massachusetts, Department of _____ and the XYZ Corporation, Inc. in order to resolve a determined financial liability of \$66,873. This liability is the result of the Office of the State Auditor's Report# 20XX-4400-2C which reviewed certain activities of XYZ Corporation, Inc. for the period July 1, 20XX through June 30, 20XX. XYZ Corporation, Inc. agrees to pay this liability which was primarily the result of undocumented and unallowable program costs charged to the Commonwealth.

The parties agree to the following terms and conditions:

1. Commencing on January 1, 20XX, XYZ Corporation Inc. will repay \$66,873 to the Department of _____ according to the following schedule:
 - January 1, 20XX – Lump Sum Payment of \$26,873.
 - Commencing on February 1, 20XX; 20 monthly payments of \$2,000 per month. Each payment is due on the first day of each month until the liability is paid in full.
2. Should XYZ Corporation, Inc. fail to make a timely payment, the Department at its discretion, may use other remedies in order to insure collection, including but not limited to, offsetting the payment then due against the current contract(s) because of a breach of this repayment agreement.
3. This agreement is not contingent upon XYZ Corporation, Inc. either maintaining a _____ service contract with the Department or the Commonwealth of Massachusetts being awarded a service contract at any time in the future.
4. All repayments, in the form of a check payable to the Department of _____, Commonwealth of Massachusetts, shall be forwarded to the Department's Contract Officer, as shall be designated from time to time.
5. The Department reserves the right to review the XYZ Corporation, Inc. financial condition to determine if the Organization is able to increase its monthly payments. If the Organization is able to increase its monthly payments, or make a larger lump sum payment during the repayment period, then a new mutually acceptable Repayment Agreement will be negotiated.

In witness whereof the authorized signatories for the respective parties have hereunto set their hands and seals.

For the Board of Directors of XYZ Corporation, Inc.

Date:

For the Department of _____:

Date:

Cc: PPA Program Manager(s)
PPA Contract Manager
Director, Bureau of Audit, OSD
Other Contracting EOHHS Purchasing Agency – PQ Liaisons

Attachment I – CAP Monitoring Log

| Department of Corrective Action Plan (CAP) Monitoring Log Fiscal Year 20XX | | | | | |
|--|-------------------------|--------------------------|---|-------------------------------------|--|
| <u>Provider / Contact Personnel</u> | <u>Provider FYE</u> | <u>Qtrly Rpt Due</u> | <u>Financial Qtrly Rpt Due Date</u> | <u>Date Report Received</u> | |
| Name of Provider | Sep 30 | 9/30/20XX | 11/30/20XX | 11/30/20XX | |
| Name - Executive Director | | 12/31/20XX | 1/31/20XX | 1/29/20XX | |
| Phone Number & Ext./E-mail Address | | 3/31/20XX | 4/30/20XX | | |
| Name - Fiscal Manager | | 6/30/20XX | 7/31/20XX | | |
| Name of Provider | Sep 30 | 6/30/20XX | 8/31/20XX | | |
| Name - Executive Director | | 9/30/20XX | 11/30/20XX | 11/1/20XX | |
| Phone Number & Ext./E-mail Address | | 12/31/20XX | 1/31/20XX | | |
| Name - Fiscal Manager | | 3/31/20XX | 4/30/20XX | | |
| Name of Provider | Jun 30 | 3/31/20XX | 4/30/20XX | 4/27/20XX | |
| Name - Executive Director | | 6/30/20XX | 8/31/20XX | 11/12/20XX | |
| Phone Number & Ext./E-mail Address | | 9/30/20XX | 10/31/20XX | 10/29/20XX | |
| Name - Fiscal Manager | | 12/31/20XX | 1/31/20XX | 1/31/20XX | |
| | | 3/31/20XX | 4/30/20XX | | |
| | | 6/30/20XX | 8/31/20XX | | |
| Name of Provider | Sep 30 | 6/30/20XX | 8/31/20XX | 11/30/20XX | |
| Name - Executive Director | | 9/30/20XX | 11/30/20XX | 11/30/20XX | |
| Phone Number & Ext./E-mail Address | | 12/31/20XX | 1/31/20XX | | |
| Name - Fiscal Manager | | 3/31/20XX | 4/30/20XX | | |
| Name of Provider | Jun 30 | 6/30/20XX | 8/31/20XX | 8/20/20XX | |
| Name - Executive Director | | 9/30/20XX | 10/31/20XX | 12/6/20XX | |
| Phone Number & Ext./E-mail Address | | 12/31/20XX | 1/31/20XX | | |
| Name - Fiscal Manager | | 3/31/20XX | 4/30/20XX | | |
| Name of Provider | Sep 30 | 6/30/20XX | 8/31/20XX | 7/26/20XX | |
| Name - Executive Director | | 9/30/20XX | 11/30/20XX | 11/3/20XX | |
| Phone Number & Ext./E-mail Address | | 12/31/20XX | 1/31/20XX | 2/7/20XX | |
| Name - Fiscal Manager | | 3/31/20XX | 4/30/20XX | | |
| | | 6/30/20XX | 7/31/20XX | | |
| Name of Provider | Jun 30 | 3/31/20XX | 4/30/20XX | 12/10/20XX | |
| Name - Executive Director | | 6/30/20XX | 8/31/20XX | 11/15/20XX | |
| Phone Number & Ext./E-mail Address | | 9/30/20XX | 10/31/20XX | 12/10/20XX | |
| Name - Fiscal Manager | | 12/31/20XX | 1/31/20XX | 1/25/20XX | |
| | | 3/31/20XX | 4/30/20XX | | |
| Name of Provider | Jun 30 | 6/30/20XX | 8/31/20XX | 11/12/20XX | |
| Name - Executive Director | | 9/30/20XX | 10/31/20XX | 10/29/20XX | |
| Phone Number & Ext./E-mail Address | | 12/31/20XX | 1/31/20XX | 1/31/20XX | |
| Name - Fiscal Manager | | 3/31/20XX | 4/30/20XX | | |
| Name of Provider | Dec 31 | 6/30/20XX | 7/31/20XX | 8/2/20XX | |
| Name - Executive Director | | 9/30/20XX | 10/31/20XX | 11/3/20XX | |
| Phone Number & Ext./E-mail Address | | 12/31/20XX | 2/28/20XX | | |
| Name - Fiscal Manager | | 3/31/20XX | 4/30/20XX | | |
| | | 6/30/20XX | 7/31/20XX | | |
| Name of Provider | Jun 30 | 12/31/20XX | 1/31/20XX | 4/30/20XX | |
| Name - Executive Director | | 3/31/20XX | 4/30/20XX | 4/30/20XX | |
| Phone Number & Ext./E-mail Address | | 6/30/20XX | 8/31/20XX | 7/28/20XX | |
| Name - Fiscal Manager | | 9/30/20XX | 10/31/20XX | 10/27/20XX | |

Attachment J – Surplus Revenue Retention Letter

This is an example of a Surplus Revenue Retention (SRR) letter sent by the EOHHS Principal Purchasing Agency (PPA) to a provider alerting them that they received surplus revenue in excess of 5% on their unit rate contracts during the fiscal year. This excess SRR is due to the Commonwealth.

Date:

Name of Contact Person, (Executive Director, CFO)

Name of Organization:

Street Address of the Organization:

City, State, Zip Code

Dear Mr. / Ms. _____:

Pursuant to 808 CMR 1.03 (7), the Commonwealth of Massachusetts has established regulations governing the use of excess state revenues over expenses for not-for-profit organizations subject to the Operational Services Division's (OSD) authority. A non-profit provider is allowed to retain an annual net surplus of up to 5% of the gross revenues derived from unit rate contracts while delivering services to clients of the Commonwealth of Massachusetts, beginning with the fiscal year ended June 30, 1993.

The Department of _____ (PPA) _____, in conjunction with the Operational Services Division (OSD), has reviewed the Uniform Financial Statements and Independent Auditor's Report (UFR) filings and determined that the (Name of the organization) accrued \$_____ in excess of the 5% surplus revenue resulting from unit rate contracts during the following state fiscal year(s).

The (Name of Organization) is responsible for reimbursing the following Commonwealth of Massachusetts, Executive Office of Health and Human Services agencies and amounts:

| <u>EOHHS Agency</u> | <u>Fiscal Year</u> | <u>Agency Contact Email Address</u> | <u>Amount</u> |
|---------------------|--------------------|-------------------------------------|---------------|
|---------------------|--------------------|-------------------------------------|---------------|

In accordance with the Surplus Revenue Retention Policy Memorandum (DPS-PO3A-93) issued on August 31, 1994 there are four recommended options to reduce this liability of excess surplus revenue due to the Commonwealth:

1. The Purchasing Agencies may enter into an agreement with the provider, which would stipulate the use of excess funds provided that no portion of the surplus may be used for any non-reimbursable cost set forth in 808 CMR 1.05, the free care prohibition excepted.
2. OSD or the Purchasing Agencies may request that the excess funds may be returned to the Commonwealth.
3. Future prices set by OSD or negotiated with Purchasing Agencies may be reduced.
4. If a Chapter 71B program, the price set for the program may be adjusted pursuant to 808 CMR 1.03(7).

Please submit a resolution plan, to the above noted agency contact(s), within 30 days from the date of this letter explaining how your organization will reimburse the Commonwealth.

If you have any questions regarding this matter, please contact (Name of the PPA Liaison) immediately at _____ or (his/her) e-mail address at _____.

Sincerely,

[This letter should be signed by an authorized signatory for the Department]

cc: PPA Department Liaison
Other Affected Department Liaisons
Department Program Manager(s)
Department Contract Manager(s)

Attachment K - Standard Sanction Letters

The following standard sanction letter examples will be covered in this section:

- OSD Notice to a Provider for failure to file a UFR
- Sanction Letter from OSD to a Provider and all EOHHS Agencies that contract with that provider
- Sanction Release Notice from OSD to a Provider and all EOHHS Agencies that contract with that provider
- Sanction Letter from a PQO to the Agency Accounting and Program Managers
- Sanction Release Letter from a PQO to the Agency Accounting and Program Managers

OSD Notice to a Provider for failure to file a UFR:

Organization Contact
XYZ Corporation
Street Address
City, State, Zip Code

Dear Organization Contact:

This Division is writing to notify your organization that it did not file the Uniform Financial Statements and Independent Auditor's Report (UFR) for the Fiscal Year 20XX.

The Division expected your organization to file its properly completed Fiscal Year 20XX UFR on or before the 15th day of the fifth month after the close of your organization's fiscal year or by the extension due date granted in writing by the Division prior to the original due date as required by 808 CMR 1.04(2) and (7).

Consequently, the Division is formally notifying your organization that the Division will direct all Commonwealth Departments contracting with your organization to initiate penalties by delaying payment if a properly completed UFR for Fiscal Year 20XX is not received by this office on or before thirty (30) calendar days from the date of this letter. Contractors of special education services are required to file their UFR on or before their filing deadline to be eligible for an increase to prices authorized pursuant to the provisions of 808 CMR 1.06. Your filing deadline has passed if your organization is a special education contractor and you have received this letter.

Penalties to which a Contractor and Subcontractors may be subject for failure to file a properly completed UFR for Fiscal Year 20XX with this Division pursuant to 808 CMR 1.00, Compliance, Reporting and Auditing for Human and Social Services are as follows:

808 CMR 1.04(11): Penalties.

- (a) Application. DPS, Secretariats and Departments have authority to pursue remedial measures and assess penalties under the provisions of 808 CMR 1.04(11). In addition,

DPS or Secretariats may require Departments or the Office of the Comptroller to take action necessary to carry out any penalty assessed by DPS or Secretariats. The availability of penalties under 808 CMR 1.04 shall not limit the Commonwealth's rights to pursue other remedies available by law, regulation, contract or the audit resolution policy.

- (b) Failure to Comply with 808 CMR 1.04(1). (2). (3). (6). (8). (9) or (10). If a Contractor fails to comply with 808 CMR 1.04(1), including correction of deficiencies, 808 CMR 1.04(2), (3), (6), (7), (8), (9) or (10) in a timely manner, regardless of the stated reason, the Contractor may be subject to penalties up to and including: delay of payment, disallowance of payment of expenses relative to which documentation sufficient to meet the governmental agencies' inspection or auditing standards is not provided, restriction on bidding for new contracts, restriction from receiving additional funds or price increases, determination that the Contractor is ineligible for the ready payment system under 815 CMR 3.10(1), or debarment from doing business with the State. In addition, Contractors of special education services shall be deemed ineligible for an increase to prices authorized pursuant to the provisions of 808 CMR 1.06.

Information concerning the audit and preparation of the UFR and other Purchase-of-Service (POS) related materials may be viewed and downloaded to a disk from the UFR Efiling home page located at <http://www.mass.gov/ufr>.

If you have any concerns, please contact OSD Auditor at (xxx) xxx-xxxx.

Sincerely,

Director of Audit

Sanction Letter from OSD to a Provider and all EOHHS Agencies that contract with the Provider: This letter informs the Provider, and all EOHHS Agencies that contract with the Provider, that all payments to their organization will stop until all UFR filing requirements are met.

Organization Contact
XYZ Corporation
Street Address
City, State, Zip Code

Dear Organization Contact:

This Division is writing to notify your organization of our intention to immediately initiate sanctions pursuant to 808 CMR 1.04 (11)(b) for not filing a properly completed Uniform Financial Statements and Independent Auditor's Report (UFR) for the Fiscal Year 20XX .

The Division previously wrote to your organization on December 6, 20XX, notifying your organization that it failed to file the UFR pursuant to 808 CMR 1.04(2) and advising of the initiation of penalties if a properly completed Fiscal Year 20XX UFR was not filed with this office on before the passage of 30 days from the date of our letter.

Consequently, the Division is formally notifying your organization that the Division is directing all Commonwealth Departments contracting with your Contractors of special education services are required to file their UFR on or before their filing deadline to be eligible for an increase to prices authorized pursuant to the provisions of 808 CMR 1.06. Your filing deadline has passed if your organization is a special education contractor and you have received this letter.

Penalties to which a Contractor and Subcontractors may be subject for failure to file a properly completed UFR for Fiscal Year 20XX with this Division pursuant to 808 CMR 1.00, Compliance, Reporting and Auditing for Human and Social Services are as follows:

808 CMR 1.04(11) (b): Penalties.

Failure to Comply with 808 CMR 1.04(1). (2). (3). (6). (8). (9) or (10). If a Contractor fails to comply with 808 CMR 1.04(1), including correction of deficiencies, 808 CMR 1.04(2), (3), (6), (7), (8), (9) or (10) in a timely manner, regardless of the stated reason, the Contractor may be subject to penalties up to and including: delay of payment, disallowance of payment of expenses relative to which documentation sufficient to meet the governmental agencies' inspection or auditing standards is not provided, restriction on bidding for new contracts, restriction from receiving additional funds or price increases, determination that the Contractor is ineligible for the ready payment system under 815 CMR 3.10(1), or debarment from doing business with the State. In addition, Contractors of special education services shall be deemed ineligible for an increase to prices authorized pursuant to the provisions of 808 CMR 1.06.

Information concerning the audit and preparation of the UFR and other Purchase-of-Service (POS) related materials may be viewed and downloaded to a disk from the UFR Efiling home page located at <http://www.mass.gov/ufr>

If you have any further questions or concerns, please contact OSD Auditor at (xxx) xxx-xxxx.

Sincerely,

Director of Audit

cc: Agency A PQO
Agency B PQO
Agency C PQO

Sanction Release Notice sent via e-mail from OSD to the Provider and all EOHHS Agencies that contract with the provider: *Inform the Provider and all EOHHS Agencies that contract with the Provider that OSD has released sanctions and that payments can resume.*

From: OSD Auditor
Sent: Monday, February 06, 20XX 9:40 AM
To: Agency A PQO; Agency B PQO; Agency C PQO
Subject: Resume Payment Notice XXXXXXXXXX-20XX

Resume Payment Notice: XYZ Corporation

XYZ Corporation has filed their UFR.
Thank you.

Sanction Letter from PQO to Agency Accounting and Program Managers:
Inform accounting and program management that further payments are being withheld pending the provider's fulfillment of UFR filing requirements to OSD.

TO: _____, Director of Accounting
FROM: _____, Provider Qualification Officer
DATE:
RE: Sanctions – Delay of Payments

Effective immediately, please **withhold all payments** to the following [Name of PPA] Provider. I have been notified by the Operational Services Division (OSD) that this Provider is in violation of 808 CMR 1.04(2):

Provider Name

FEIN

The sanctions are being initiated by OSD because this provider has not filed a properly completed Uniform Financial Statements and Independent Auditor's Report (UFR) for the Fiscal Year 20XX.

A copy of the individual provider sanction letter is attached for your records.

I will notify you when OSD releases this sanction.

If you have any questions, please call me at extension _____ at your earliest convenience.
Thank you for your cooperation regarding this matter.

Cc: PPA Program Manager(s)
PPA Contract Manager

Sanction Release Letter from PQQ to Agency Accounting and Program Managers:
Informs accounting and program management that the OSD has released sanctions against the Provider and that payments can resume.

TO: _____, Director of Accounting
FROM: _____, Provider Qualification
DATE:
RE: Sanctions – Release Notice

Effective [Date sanctions lifted], the Operational Services Division (OSD) released sanctions against the following provider. (See the attached memo from the OSD).

Provider

FEIN

Effective immediately, please resume payments to this provider.

If you have any questions regarding this transaction, please contact me at extension _____ at your earliest convenience. Thank you for your assistance regarding this matter.

Cc: PPA Program Manager(s)
PPA Contract Manager